AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

AUGUSTYN WOS*

The Reforming of the Agricultural Policy in Poland

THEORETICAL PREMISES

The reforming of agriculture ought to be seen today as an integral part of the whole process of reform in the national economy in socialist countries. This is a process of far reaching implications for the contemporary development of the world, far exceeding the framework of the internal problems of the socialist countries' economies. One must admit that the present reform concepts originate rather from the negative experience of the past centralized administrative allocation system of management of the national economy and are less a product of the development of economic science. I wish to say, therefore that the reforms in question are by their very nature a product of healthy pragmatism which in recent years has started to be voiced in the socialist countries. One must stress at the same time that no new theory has appeared, which would provide a scientific explanation of this new stage of development of the socialist economy. This fact is of course assessed in varied ways. It is, without any doubt, proof of a certain crisis of economic science which, for many years bound by dogma, could not develop properly and instead of programming the necessary and imminent changes would engage themselves mainly in the interpretation of existing realities.

Theoretical economists draw mixed conclusions from such a state of things. Some are ready to state that this is the result of a crisis of Marxism as a scientific theory, which is not capable of adequately exploring and explaining the industrial and post-industrial stages of development of a society. Others, and to this group I would accede, are rather inclined to say that the present stage of development of the socialist economy is a return to the original sources and concepts of this economic system, these being those which in the 1920s laid at the foundations of the NEP (New Economic Policy) in the Soviet Union and later were to be subject to far reaching and profound deformation in the Stalin and post-Stalin periods. If we look from the point of view of science, then this period, regrettably very long (extending approximately 60 years), must be recognized as a deformation of the foundations of socialism as an economic system. The contemporary reform concepts, which appear to be the most advanced in Yugoslavia, Hungary and Poland and recently being implemented at a rapid rate in the Soviet Union and China, ought to be seen then as a return to the original

*Institute of Agricultural and Food Economics, Warszawa, Poland.

sources and concepts of socialism as an economic system, with all the consequences stemming from this, also in the field of agricultural policy.

POLISH ECONOMIC REFORMS

While the subject of this paper is the process of reforming the Polish agricultural policy, it is nevertheless an obvious matter that what is presently taking place in Poland and in the other socialist countries is much more than just an economic reform. This is in fact a process of profound and far reaching transformation of the political system and of the whole society, a change of the way of exercising political power and a democratization of social and economic relationships. The political transformations are no doubt a starting point and at the same time a condition of effective and efficient economic reforms. Such is the present reality of the socialist countries. In the economic sphere the reforms are orientated towards improving the productivity of the economy and augmenting the incentives and work motivations of individuals; but all this clearly will not be possible without a parallel democratization of social relationships and a change in the foundations of the social and economic policies. A strengthening of the position of the individual and respecting its motivations for efficient and effective activities and enterprise is a phenomenon quite new for socialist society and requires not only a change of legislation and of the formal and institutional structures but also calls for a whole new philosophy of social and economic development. This evolution must, however, respect the principal foundations and rules of the socialist system as such. This is a process of a most complex nature, nonetheless very interesting and even fascinating in its innovative aspects.

The reforming of the Polish economy has, in the recent past, been undertaken a number of times; the most important reform efforts being undertaken in 1956 and in 1970, after the political crises, but these reforms were not implemented consequently and never concluded. The most deep and progressive reform was undertaken in 1981. In contrast to its predecessors, the present reform concerns not only the system of management of the economy but also the macro structures of the economy. In particular it has been recognized that the macro structures developed and shaped in the period of early industrialization (characterized by a dominance of the mining industries, energy producing industries and preliminary processing of raw materials) are no longer vehicles of progress and productivity and do not correspond to today's demands of economic growth. Thus a general restructuring of the economy became necessary, orientating it in the direction of industries producing final products of high quality as well as those which introduce to the economy technological progress (high-tech). Priorities were allotted, corresponding to the needs of the national economy, to the development of agriculture and food processing, the development of the technical infrastructure and the conservation of the natural environment.

In the sphere of management of the economy the Polish reform was based on the following principles:

(1) A departure was declared from a system of centralized and administrative allocation of inputs and management of the economy, in order to move to a parametric system. The State has kept its authority to determine the parameters of economic activities.

(2) State enterprises, state farms and other economic entities were allotted complete economic autonomy and independence. In accordance with the assumptions of the economic reform all economic entities make their own independent decisions as to what they will produce, what technologies are to be employed and what economic relations and with whom are to be entered into.

(3) The workers and staff of the enterprises and their representatives were given far reaching self-government rights in the area of determining the strategy of development of the enterprise in question, drawing up annual and longer plans and making decisions of major importance.

(4) A consequence of the departure from the administrative allocation system of management was the introduction on a large scale of market mechanisms. The scope of market relations is systematically expanding: the list of products and services for which the State determines the prices (the group of so-called Government decreed prices) is becoming shorter and shorter and the list of prices which are decided as result of negotiations between producers and trade organizations (the so-called conventional prices) is growing. There exists in addition to the above a growing margin of the free market where prices are determined by the interaction of free market forces. Nevertheless, one should not expect the Polish economic model to move completely towards the free market. It is and will remain a model of a regulated market which permits state intervention in areas which are of strategic importance for development and in cases when the development processes would run a course not desired from the point of view of social interests. The Polish reform thus leads in the direction of a model of a regulated market, that is with a rational and precisely defined state intervention.

(5) The introduction of the principle of self financing of enterprises meant the elimination of specific enterprise subsidies, as well as bringing the prices to realistic levels, so they could constitute the foundation for economic calculations and decisions at enterprise level. In place of the former subsidies credits were introduced, charging normal interest rates. Some subsidies were left, in particular those stimulating the introduction of technological progress (these being of importance in agriculture), as well as some subsidies to social activities and nutritional benefit and to economic undertakings of importance from the national point of view.

(6) New regulations were also introduced to the whole sphere of foreign trade. The former monopoly for export and import operations of specialized state enterprises is being systematically eliminated. Foreign trade rights are being given to the particular enterprises, which may presently enter into direct contact with the foreign partners.

(7) The institutional structures, especially at the central level, have been greatly simplified and streamlined. First, the intermediate levels of

direction were eliminated as the present parametric system of management does not require this level of direction. The functions of the central government agendas were radically transformed. They no longer steer directly the activities of the enterprises but are instead engaged in strategic programming, determination of parameters for the enterprises' decision making, legislative issues, and the analysis and control of the course of economic processes.

(8) An important problem and one of the most difficult to resolve, was the demonopolization of economic relations. The economic structures, developed in past years and the administrative allocation system of management have left as their legacy a highly monopolized economic system. This concerns the sphere of production as well as the organization of the market. For example in the procurement (official marketing system) of the principal agricultural products we find outstandingly monopolistic structures, state and co-operative organizations which are responsible for the running of the system of farm product procurement. These are very complex issues and difficult to resolve. Nevertheless, bold legislative efforts are undertaken, as well as economic and organizational ones, which will favour demonopolization. An anti-monopolistic practice law has been adopted by the Polish Parliament, control of price increases has been sharpened, some monopolistic structures in the economy have been broken up and new competing companies appear, bringing with them elements of healthy competition to the sphere of production and to trade.

The principles of the present Polish economic reform which we have discussed above are of a universal nature, which means they concern all branches and sectors of the national economy, including agriculture. In the latter we find, however, some specific issues which call for further discussion.

THE ECONOMIC REFORM IN AGRICULTURE

Agriculture, or more precisely, the state farming enterprises were the first where the principles of the reformed economy were introduced. So far, the results achieved in this sector appear to be the greatest and the most promising. The Polish case thus confirms the hypothesis that agriculture is the easiest subject to reform and – as it appears to be so far – where the best results are obtained. We draw attention to the fact that in Hungary, China and the Soviet Union the reforms have gone the furthest in agriculture and have in this sector brought the best results. From the Polish point of view I would attempt to explain this phenomenon in the following way.

In agriculture – notwithstanding the past all encompassing system of administrative allocation and centralized management – some feedback mechanisms, verifying faulty central level decisions and permitting the bringing back of lost equilibrium, were maintained. Such a mechanism is found in the peasant economy. Elements of this system, with problems, were also transferred to other sectors of agriculture. There was, in addition to the above, always the market of

food products, which – regardless of the deformations caused by the system of subsidies and by direct planning by the centre – would in one way or another perform correcting functions, bringing, in the long run, the relations between prices of food products to the relations of costs of their production. The link between the social interest (a growth of food production) and the interests of the individual (maximization of the incomes of the farmers) is the simplest in agriculture. The liberalization in this field, as was found not only in Poland, brings by far the most rapid results. The creation of an area of activity for private initiative in agriculture as a rule serves to stimulate and set in motion great reserves of production growth potential and for lowering costs. One must however remember, and this is also indicated by the Polish experience, that these reserves are as a rule of a limited depth and after some time are exhausted. In order to support growth in the long run it becomes necessary to increase the streams of inputs from outside agriculture, that is, the supply of modern efficient production inputs for farming as well as services provided for agriculture by other sectors of the national economy.

The above remarks do not disprove the thesis that agriculture is the sector most readily subject to reform, since increased individual motivations (private) serve to free the available reserves for production growth. In this sector we also find an internal mechanism for the verification of decisions, and what is more, here the linkages between the interests of the individuals and the social interest are the most straightforward and clear.

As indicated before, the principles of economic reform were first introduced in Poland in July 1981 in the sector of state farming enterprises. There was no need to introduce these principles to the private farms sector, since in fact the peasant farms were always operating in accordance with the future economic reform principles, that is, they were economically independent, self-financing and fully autonomous and sovereign in the decision-making process. There existed in the past and continues to appear presently the problem whether the environment of this sector (supply with production inputs, the sphere of services, organization of procurement of farm products and so on) is reforming rapidly enough to permit the peasant economy to operate harmoniously and without disruption. These changes do not however take place systematically, as a result of which the entities which operate in accordance with the principles of the economic reform encounter numerous problems, constraints and difficulties. One of the dilemmas Poland faces today is the fact that while all economic entities in the agricultural sector – peasant farms, state farming enterprises and agricultural production co-operatives – have accepted and follow the principles of the reformed economy, regrettably, the environment surrounding agriculture has not so far undergone complete reform, which entails conflict situations. The resolving of such conflicts is however a process which requires time.

In the sector of socialized agriculture in Poland which supplies a quarter of the total agricultural output and uses an identical share of the farmland, we have thus accumulated six years' experience in reforming the economic system. The following conclusions can be drawn:

(1) The reform has set in motion an efficient and, as a rule, effective mechanism of adjustment processes. This is an important experience

since the state farms prior to this were rather rigid structures, reacting only to central level directives. The socialized farms reacted and adjusted more or less in the same way that private peasant farms did and many formerly showing a deficit and relying on state subsidies for support began to earn a profit.

(2) As a development of major importance we should recognize the fact that for the first time in their history the state farms demonstrated a tendency to lower their costs of production. In the former system the state farms were simply not interested in achieving lower production costs, since the difference between the actual costs and the product price was covered by a state budget subsidy. Socialized farms would get rid of machines and equipment no longer required, introduce sharper technological regimes, decrease losses incurred in production and processing and storage, and rationalize employment, in particular in administration. All of these efforts, at times quite simple, brought in the first period of reform a growth of incomes and improved profitability. This source of economic improvement began, in time, to dry up.

(3) State farming enterprises began to create their own incentive systems. The departure from rigid centralized wage formation and direct linking of individual wages with work performance permitted the creation of elastic wage and incentive systems better adjusted to local conditions. In a short period this brought positive results but, as well, favourable conditions were created for effective management of the farms.

The reforming of the socialized sector found expression in the following decisions and actions: (a) the former system of subsidies and payments to agricultural production operations was abolished; (b) the enterprises were authorized to make their own decisions as to the sizes and types of production; (c) the economic operations of the enterprises were based on their own means, supplemented with, when this was required, state credit; (d) profit or the improvement of the farm's financial result was taken as the criterion for the evaluation of its economic performance and the foundation of the premium (bonus) system; (e) state intervention into the economics and organization of socialized farms ceased.

A vital and key issue for the process of reform in agriculture is the system of price formation. In agriculture the situation in this respect differs from that in other sectors of the national economy. Agricultural products, such as grains, meat, milk, oilcrops, are of strategic importance for feeding the nation and as result of this, on the basis of social consensus, the procurement prices offered by the government in the official marketing system for these products are decreed by the government, their level being, however, the result of regular negotiations taking place every year in June between the Government and organizations representing private and socialized farms. The supply of the products enumerated constitutes about 70 per cent of the total procurement of farm products. The balance of products is sold at free market prices or at conventional prices. At the other end, farmers purchase from 30 to 40 per cent of the necessary production inputs and services at prices decreed by the state, the balance being sold at conventional prices, the latter going up very sharply, especially in the last few

years; this being partly the result of producer monopolistic practices gaining the upper hand. This situation, that is, dual foundations for the establishment of agricultural prices, results in difficult problems faced by the agricultural sector. The state takes care to secure proper relationships within the system of decreed prices but can affect relatively little and only indirectly the conventional prices. In conditions of an unbalanced market, with demand exceeding supply of inputs for farming, a definite tendency appears for a growth of the conventional prices, which affects the costs of agricultural production and exerts a pressure on the growth of prices offered for farm products within the official procurement system by the government. To resolve this situation will mainly require a growth of the production of inputs which remain scarce at present, encouraging individual entrepreneurship in this field (including bringing in foreign capital in the form of joint stock companies); all this resulting in the long run in the blocking of price growth and permitting equilibrium in the particular markets and the creation of a 'normal' situation for the development of agriculture. This is however a rather long and complicated process. What is more, various supporting actions are undertaken, such as the removal from the list of prices decreed of other farm products and moving to the formula of conventional and free market prices. Recently, such was the procedure for a staple crop and food product under Polish conditions – potatoes. Other possibilities of liberalization of the farm product market are contemplated.

A key point of the process of reforming agriculture, menacing in its impact, is the situation of the industries producing inputs for farming and for the food processing industry. This production, as we have already mentioned, is highly monopolized. In many areas to break the monopoly will be very difficult. This concerns, for example, the industry producing mineral fertilizers, tractors, combine harvesters, specialized machines and equipment. This causes a situation in which the prices will be determined on a cost basis; of decisive importance will be the costs of production of the monopolistic manufacturer, who will have no motivation to lower the costs. The situation is indeed difficult but this does not mean that nothing can be done. Without giving up the demonopolization efforts as regards the industries producing inputs for farming (this being a long-term process) new methods are searched for and used in the objectivization of the costs incurred in the industries in question. This is necessary for the time being, since otherwise there would be an uncontrollable growth of prices, which in turn would result in a growth of production costs in the agricultural sector, finally entailing a growth in farm product procurement prices.

The principal efforts and actions which are foreseen within the second stage of the economic reform, assume an approach to equilibrium through increasing production and supply of goods which so far remain scarce. Only in a balanced economy will the guillotine of prices become effective, that is, it will eliminate costly and poorly performing producers. But this balanced economy is the target which has to be reached. The subject of controversy in Poland is not the target for which we aim but the way to get there. The latter is rather complicated and difficult. Effective solutions are sought through improved productivity and better allocation of inputs to better performing producers. This will entail the disappearance of costly and poorly performing producers from the market. At

present this mechanism is already in operation but is not as effective as it should be. This is the result of the unbalanced market.

Thus we arrive at one of the most controversial issues in the whole process of reforming agriculture. I am referring to the criteria of allocation of resources and the elimination of costly and poorly performing producers. This issue is linked to the structural policies in agriculture and will be more extensively discussed in the following part of this paper.

In Poland there are at present 2.7 million private peasant farms, with an average area of 5.3 hectares, and some 5000 entities in the socialized farming sector. Both populations are strongly varied internally. Research has shown that 40 to 45 per cent of the national farmland is found in the spheres of low or even negative agricultural productivity and this observation is more or less the same for both peasant and socialized farms. In all Polish agriculture the effectiveness of use of all resources and inputs (land, farmer labour, capital inputs) in the first half of the 1980s increased at a rate of 4.5 per cent per annum, which must be recognized as a high rate of productivity growth. To a substantial degree this was the result of the economic reform. In 1986 the effectiveness of the aggregate inputs was 12 per cent above the result of the pre-crisis 1978 figure and 15 per cent above that of 1982, which was a year of deep crisis. One must however draw attention to the strongly differentiated distribution of these rates of improvement. In the group of the smallest peasant farms (below 3 hectares of farmland area) this rate was negative. In the other farm size groups this rate was positive and it increases as the area of the farm grows. This means that the level of effectiveness of use of inputs and its rate of improvement are linked to the scale of production and the farm's area. This is one of the reasons and foundations for the process of improvement of the agrarian structure. But it is not the area of the farm which is the most important change here. Very reasonably it is stated that it is the economic potential of the farm, its capacity for development, a high propensity for investment and the employment of modern technologies which are important. The economic reform, therefore, should favour good, dynamic and productive farms but at the same time it should eliminate those which are not capable of facing the high requirements and challenges of today's agriculture. Such a process is in fact taking place in Polish agriculture already but it remains a slow one. The economic reform represents a chance to accelerate. Of great importance will be here the introduction of a more flexible retirement system for peasant farmers which will serve to accelerate the rotation of farmer generations. It has been proved that young farmers achieve production and financial results 8 to 10 per cent superior to those of the older farmers. Combined with other factors this represents an opportunity to improve general agricultural productivity.

REFORMING AGRICULTURAL POLICY

The changes of agricultural policy have been in principle designated by the assumptions of the economic reform. The reform itself is a type of economic policy. For the Polish situation in the beginning of the 1980s a characteristic feature was that the reforming of the policies in question coincided with a deep crisis. There is no doubt that this was not a circumstance favouring the reform

processes and efforts. It was even considered whether the introduction of the economic reform should not be delayed until the economy emerged from the crisis. Finally, the view prevailed that it is the very reform which is a condition for the economy to emerge from crisis. Thus, the programme of reform of the agricultural policy in Poland was undertaken in extremely difficult conditions.

In the beginning of the 1980s the agricultural policy was based on the following principles:

(1) It was recognized that Polish agriculture is one entity and its core are private peasant farms, which have permanent prospects of development. This was an important statement since it meant the elimination of the former preferences for state and co-operative farms and served to elevate the status of peasant farming. It was recognized in particular that private peasant farms are not in conflict with the principles of the socialist economy and coexist with it on a permanent basis. This was a new and far going political proclamation.

(2) The inviolability of peasant ownership of land and the right to inherit it was confirmed in the form of a special amendment to the Constitution of the Polish People's Republic in 1983, providing further a guarantee of stability for peasant farming.

(3) A uniform economic system for all sectors of agriculture was created, comprising farm prices, credits, subsidies, taxes and other economic instruments. This is a new element in agricultural policy since the principles of state policies towards the particular sectors of agriculture in the past were varied and in general they favoured the state and co-operative farms. As a consequence of the introduction of this principle, the past subsidies allotted to particular socialized enterprises to cover the losses incurred were eliminated, a land tax was introduced on a uniform basis for all agriculture, with lands of lowest quality being free of taxation, the past practice of extinguishing debts incurred by socialized farms was abandoned and credits taken now have to be repayed, all types of farms having equal access to the state economic assistance (preferences were maintained only for units operating in marginal conditions such as in mountainous areas or other particularly difficult natural conditions).

(4) It has been stated that agricultural policy will be a stable one, that its principles will remain unchanged both now and in the future. It has been proclaimed that always and everywhere the personal and professional dignity of the farmer will be respected. Farmers are to receive assistance and support from the state. This proclamation meant departing from the past practice of instability and variability of the principles of state agricultural policies.

(5) New regulations were introduced in the principles of farmland management policies. It has been recognized that land should be used first of all by the best farmers, regardless of the sector to which they belong. Favourable conditions were created for the purchase of land and for increasing the farm area in a normal free market in land. For this purpose special low interest credits are allotted. This policy has enli-

vened the turnover in farmland and serves to improve the agrarian structure, although the changes in this field continue to be too slow.

(6) The binding criteria for the protection and conservation of farmland were sharpened, in particular preventing the taking over of good farmland for nonagricultural purposes. This process must be arrested, but not through administrative measures, as has been the case so far, but by means of economic policy, that is high prices of land to be taken over for nonagricultural purposes.

(7) As the principal areas for investment in agriculture the following were recognized: drainage and irrigation and supply of agriculture and the countryside with water, mechanization of production and conservation through expansion and modernization of the rural infrastructure. It has been recognized that a condition for further agricultural growth is a marked increase of the production potential of the industries producing inputs for farming. Progress in this area has however proved to be less than expected, which was the result of both a shortage of raw materials and semi-processed products for the industries in question, as well as technical difficulties encountered when factories attempted to change their production profile.

(8) The importance and role of agricultural incomes for the stimulation of farm production growth and for improvement of the material standard of living of the farming population was recognized clearly. The principle of farmer to non-farmer incomes parity was declared. Until 1983 the principle of income parity was fully respected and the incomes of the agricultural population increased more rapidly than those of the non-farmer population. Later an opposite tendency was recorded and the income parity evolved at a level of about 90. It was also observed that a growth of the costs of farm production, resulting from the inflationary growth of prices of inputs, thus independent of the farmers' performance, is to be currently compensated for through increases of procurement prices offered for agricultural products. This guarantees maintaining the profitability of farm production.

(9) The broad framework for the reconstitution and development of farmer, rural and co-operative self-government was created, going back to the long historical experience of the Agricultural Circles organization, producers associations, supply and trading co-operatives, as well as horticultural, dairy and savings and lending co-operatives. Legal and institutional conditions for the reinstatement of all forms of rural self-government, which in the 1970s was dominated by the administrative allocation system of steering and management of agriculture, were created. The Agricultural Circles were born again as the representative of the interests of private farmers and by rule of law perform the role of the peasant farmers trade union.

(10) Numerous decisions and actions were undertaken, aimed at improvement of the work and living conditions of the inhabitants of the countryside. In a major way the functions of the local organs of authority were strengthened, mainly as an effect of the decentralization of

decision-making. A large part of the decisions, in the past reserved for the central level, are now made by the local authorities.

(11) A further step was made in the direction of regulation of retirement issues and the social security system for peasant farmers (the first step was made in 1977). The social security system now encompasses all persons earning their living from a farm. It was originally determined that the retirement and social security benefits for farmers cannot be lower than 80 per cent of the lowest socialized economy worker social security retirement payments. In the following years this figure has grown until finally the level of retirement and social security benefits received by farmers became identical to that of the non-farmer population.

Agricultural policy, as it was established at the beginning of the 1980s in its economic part, was unequivocally orientated towards achieving, in the shortest possible time, national self-sufficiency in food and farm products. This was to be achieved through a growth of the domestic agricultural output, limiting the imports of agricultural and food products (as forced by the state balance of payments situation) as well as proper changes in the composition of consumption. To achieve national self-sufficiency became for Poland a vital necessity. This does not however mean an orientation towards autarky. Self-sufficiency in food products is understood in Poland as a situation of a balance of the exports and imports of food and farm products. Such a balance was achieved in 1985 and since then the positive balance of food and agricultural trade has demonstrated a continuous tendency towards growth.

In its political part the new agricultural policy programme foresees, as has already been said, a guarantee of stability of peasant economy and full respect for private ownership.

In the social part the programme foresees the elevation of the personal dignity of the farmer, full recognition of his position in the society, care for the improvement of the material conditions of farmers' work and life as well as the access of all farmer, rural and co-operative self-government organizations to the management of activities and life of the rural communities.

In conclusion one must ask what are the effects of the reformed agricultural policy. A precise answer to this question is not an easy one, since it is difficult to set apart those effects which may be ascribed to the reform alone. In fact we do not have at our disposal such research methods which would permit the determination of the net effect of these changes. We may speak only of the gross effect, thus the total impact (aggregated) on the changes which were recorded in agriculture. There is no doubt, however, that the major part is to be ascribed to the economic reform. Very briefly this may be summarized as follows:

(1) The rate of growth of agricultural output increased 2.2 times: the per annum rate of output growth being in the second half of the 1970s 1.8 per cent and increasing to 3.9 per cent in the first half of the 1980s.

(2) National self-sufficiency in agricultural products was achieved, understood as balancing of imports and exports and recently the positive balance in this trade shows a permanent growing tendency.

(3) Despite the very deep crisis drop which was recorded in the whole national economy, it was possible to maintain at a satisfactory level the nutritional standard of the population and the intake of the principal nutritional components never dropped below the safety level and, by WHO standards, below the satisfactory level. In most important areas the level of consumption may be addressed as good although the available assortment of food products remains modest. Agriculture appears to have survived the difficult conditions of the crisis better than other branches of the national economy.

(4) Large groups of farmers became more active. Far reaching and profound adjustment processes took place both in peasant agriculture and in the socialized farms. Various self-government and co-operative organizations were activated again, taking in their hands, to a large degree, matters linked to the development of agriculture. The role of the individual in the social and economic development of the countryside and of agriculture increased.

(5) Far reaching changes were introduced into the system of management of agriculture, which was manifested by the expansion of the extent of the market, greater elasticity in prices formation and other economic parameters. The autonomy and economic independence of all entities increased. Farmers, much more than before, are searching for possibilities of lowering costs of production.

(6) The economic reform gives preference to pro-productivity attitudes. The criteria for the allocation of resources have changed; through price mechanisms they are allocated in accordance with the criterion of highest productivity.

(7) Tendencies for the improvement of the agrarian structure of the peasant farming sector have been recorded. The number of farms with a greater area has increased as well as those which achieve higher productivity. At the same time the number of weak farms, not standing a chance of development, is decreasing.

The economic reform, being a gigantic political undertaking, as well as an economic and a social one, creates numerous, difficult to resolve problems, which often will require a long time to resolve. The problems encountered when reforming the agricultural policy are of an objective as well as a subjective nature.

One cannot forget that the administrative allocation system which was in existence for four decades created not only its own institutions and structures, which are gradually being removed, but at the same time specific habits and attitudes of people have accumulated, as well as systems of views, interest groups and so on, which must be changed; but by its very nature this process is a slow one. What must change first of all are the people themselves, their attitudes, the criteria used in making value judgements, methods of work, and last but not least, ways of thinking. This is not a simple nor an easy process.

There are also serious constraints encountered in the structure of the national economy. The branch structure of the economy, as determined in the past is not flexible and subjects itself to change with difficulty. Objective problems are encountered when trying to switch industrial plants to the needs of agriculture.

The industrial structures were created in the period of the first industrialization effort and no longer correspond to the requirements of a modern economy. They must be modified but this calls for great outlays and time. These are real difficulties which must be faced in the course of the reforming processes. As indicated earlier, these economic structures are highly monopolized, which also makes it difficult to expand the extent of market relationships and move towards equilibrium.

A great burden for the national economy is the high foreign debt, which decreases the balance of payments capacity and narrows the field of manoeuvre, a necessary condition for the reforming of the economy.

These and other difficulties and obstacles are plentiful in number. They all affect the process of reforming Polish agricultural policy and no doubt impede it. I would like however, to express the conviction that the process of reforming the national economy has its own logic and that the mechanisms once set into motion will find the power to continue.

DISCUSSION OPENING – CSABA FORGÁCS

In this study of the reforming of the agricultural policy in Poland, I will deal with the following points:

1 The subject, and goal of the study – In several countries substantial research based on Marxist theory has been attempting to create a stable basis for an economic reform. One of these experiments is going on in Poland. The paper offers specific information to the academic world and offers an opportunity to discuss various questions of the socialist economic model. The goal of the study is to give a *description* of the most important characteristics of a new model which probably offers a more flexible market orientated system for the society and to *summarize* its most important characteristics.

2 Method applied – illuminating the questions of the economic reform in agriculture the author analyses some premises of the theory on which the model is based. An analysis of the Polish economic reforms was made for a better understanding of the latest economic reform in agriculture and finally details were given of the latter. The structure of the paper shows a consistency where besides the theoretical questions some of the economic actions of the macro-management have also been discussed.

3 The main points of the paper – the paper speaks of a gap which has grown between theory and practice. It is a matter of fact that different views have existed concerning the evaluation and explanation of the macroeconomic management in socialist countries. I put two questions here which need scientific answers:

(i) Can the crisis itself be regarded as a natural consequence of Marxist theory or it is really based on the theory having been applied in a distorted way? In the latter case we have to answer the question of what is the distortion that has been going on in the macroeconomic management of the countries involved.
(ii) Being aware of the distortion, we have to make clear what the distortion of the theory means in practice.

After getting scientific answers to these questions we can get closer to the Marxist theory itself and put arguments for and against on this issue. Going on this way, Wos suggests a return to the original sources and concept of the economic system laid at the foundations of the New Economic Policy in the Soviet Union. I agree with this approach. The question is what does the Marxist theory mean for us at the end of the twentieth century?

4 Questions on how to move from an administrative allocation system to a parametric one – the paper makes clear '. . . what is presently taking place in Poland and in other socialist countries is more than just an economic reform'. Reforms introduced in different socialist countries were not completely resolved because the structure and mechanism of other areas (political, institutional, cultural and so on) of the society remained unchanged.

Concerning the principles of the Polish reform I would emphasize three questions:

(i) According to the paper one of the goals is 'to move to a parametric system' where the state on the one hand, retains the authority to determine the parameters (price-setting for products of major importance, subsidies, credit, taxation policy, currency exchange rates) while, on the other, complete economic autonomy is given to state enterprises, state farms and economic entities. Here comes the question: What does complete economic autonomy mean?

(ii) Moving to a regulated market system it is emphasized that a substantial part of different subsidies was eliminated and prices were brought to a realistic level. Here I think we have to know more about what 'realistic level' means. If the prices are based on world market prices, the mechanism of adjustment is also a matter for discussion. Elimination of the monopoly of state foreign trade companies is also a step forward on the way to creating a parametric model; but another question arises here: How will the functions of the foreign trade companies be taken by enterprises exporting in a direct way and how will the marketing organizations and activities be developed?

(iii) The need to change the institutional structure is a part of the job to be done. The institutions undertook several functions of the market formally in order to create a balance between demand and supply under circumstances of relative scarcity. If they are partly abolished, because of scarcity the shadow of a high inflation rate appears. How to manage this problem? The problem of demonopolization is one of the most important ones concerning the development of competition in the market.

5 Reform in agriculture as a condition of increasing production and efficiency – It is true that reforms of agriculture introduced in different countries achieved good results. Experiences accumulated for centuries have helped farmers to produce products. But the issue now is what to produce and how to produce it. From this point of view special attention should be placed on individual motivation. The question of what kinds of individual incentives are suitable for increasing agricultural production in an efficient way, meeting demand at home and on the world market, needs answers also.

The paper pointed out that for the first time in the history in Poland the state farms have decreased their production costs. This is a very important point but we have to know more about what conditions are needed to maintain this tendency in the long run as well. Another question is whether the price increases of agricultural inputs result in pressure on farms to push costs up. How is it possible to decrease production costs in such a situation and to create an equilibrium?

6 Characteristics of the new agricultural policy in Poland – the paper summarizes the new agricultural policy in Poland in 11 points. All of them are very important and I would underline three issues here:

(i) As the paper says, private relatively small-scale farms are not in conflict with the principles of the socialist economy. I agree with this statement. It should be made clear what is its theoretical base which has not been accepted for a long time in several socialist countries.
(ii) The paper pointed out that a uniform economic regulation system for all sectors of agriculture should be created. Why is this issue important?
(iii) A regulated market system needs an efficient and permanent market control which should be handled by the government.

I enjoyed reading this paper and found it very interesting. Studying it one can learn a lot about what elements of economic policy have been proved wrong or right under socialist conditions, furthermore, which fields of the theory and application of socialist economics need to be discussed and revised.