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The budget and budgetary law of the Polish People's Republic

Abstract

In Polish People's Republic, as in other socialist countries, the budget system and the organisational structure of the budget corresponded to the assumptions of the political and socio-economic system of the socialist State. This means that the principles of the management of the budget and budgetary law itself were significantly different from the principles and norms then in force in Western European countries. The aim of this article is to outline how the main stages of the Polish People's Republic's budget were forming, as well as to demonstrate the impact of changing tendencies to centralise and decentralise the economy on the structure of the State budget. The first part of the article is devoted to the presentation of the process of adaptation and adjustment of the inter-war fiscal legislation to the new political and economic situation. In the second part, the main phases of the reconstruction of the budgetary system have been analysed. The next two parts of the article refer to the issues of adjustment of the budget system to the decentralisation of the management of the national economy and to the crisis of the early 1980s. The implementation of the research objectives made it possible to formulate the thesis that, despite the changing tendencies towards centralisation and decentralisation, throughout the entire period of the Polish People's Republic the budget system and the organisational structure of the budget itself corresponded in principle to the assumptions of the political and socio-economic system, at the basis of which lay the principle of democratic centralism and the political and economic unity of the State.

Keywords: state budget, budgetary law, budgetary system, Polish People's Republic, democratic centralism, autoritarianism, socialist state

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Introductory remarks

In Polish People's Republic (in Polish: *Polska Rzeczpospolita Ludowa*, henceforth: the PRL), as in other socialist countries, the principles of the management of the budget and budgetary law were significantly different from the principles and norms then in force in Western European countries. The budget system and the organisational structure of the budget corresponded to the assumptions of the political and socio-economic system of the socialist State. It is also important to note that the socialist principles of the budget management and budget law were gradually forming. In the initial period, in connection with the formation of the socio-political and economic foundations of the new regime, the pre-war principles of budget management were applied and they were adapted to the new political and economic situation. Since, under the systemic conditions of a socialist state, the inter-war fiscal legislation could only be applied to a limited extent, in addition to the partial adoption of the law in force in the inter-war period, a process of creating new budget law was initiated. In this respect both own solutions were sought and those based on foreign models.[1] It should also be emphasised that both budget law and the institution of the budget itself in the period of the Polish People's Republic (the PRL) have been researched by eminent legal scholars, which is reflected in the rich literature on the subject. Nevertheless, there is a complete lack of English-language studies in this area, which could bring the issues of budget law in the PRL closer to readers from outside Poland.

The aim of this article is to outline how the main stages of the PRL's budget were forming and also to present the impact of constantly changing tendencies to centralise and decentralise the economy on the structure of the State budget. The following parts of the study present the processes of: the reception and adjustment of pre-war tax law, adjustment of the budget system to the needs of the planned national economy, decentralisation of the management of the national economy and response to the crisis of the early 1980s.

1. The period of the reception and adjustment of pre-war tax law

The first budgets of the Polish People's Republic were adopted by the Polish Committee of National Liberation (Polish: *Polski Komitet Wyzwolenia Narodowego*, henceforth: the PKWN). As early as in August 1944, the Department of National Economy and Finance of the PKWN adopted an outline of the projected global amounts of income and expenditure for the period from 1 September to

[1] See C. Kosikowski, *Problemy legislacyjne polskiego prawa finansowego i jego kodyfikacji*, Wrocław–Warszawa–Kraków 1983, p. 14.

31 December 1944.[2] The basic document on the principles of budgeting during this period was the PKWN resolution of 10 October 1944 on temporary budget management, which assumed that from 1 November 1944 the financial management of the State should be carried out on the basis of monthly interim budgets. Consequently, for November and December 1944, monthly budgets were adopted.[3] In December 1944, a resolution was passed which provided for a change from monthly interim budgets to a system of quarterly interim budgets, except that a monthly budget was still to be passed for January 1945. Subsequent interim budgets for the PRL were adopted by the Council of Ministers and approved by the Presidium of the State National Council for monthly and bimonthly periods, and from 1 July 1945 — for quarterly periods.[4] The first budget of the PRL adopted by the State National Council and published in the Journal of Laws was the budget for the period from 1 April to 31 December 1946.[5] The legal academic theory holds that the adoption of the budget by the National Council, i.e. the body performing the role of legislative chambers until the end of 1946, closed the period of provisional budgetary management of the PRL.[6]

From 1947 onwards, State budgets were adopted by the Sejm for a full calendar year. It should also be noted that, in the first years after the war, the Sejm adopted the State budget in the form of a "Treasury Act," as had been the case in the interwar period.[7] The budgetary system of the period also consisted of local government budgets, comprising budgets of the administration, budgets of so-called separate establishments and budgets of local government enterprises.[8]

The legal basis for budget management during this period was the Constitutional Act of 19 February 1947, which provided that the budget should be passed by the Sejm in its autumn session, and at the same time the session could not be closed before it was passed. If the Sejm, within three months of receiving a draft budget from the Government, had not passed a budget law, the President, with the consent of the Council of State, could promulgate the budget as determined by the Government.[9] The Small Constitution also stipulated that the Supreme

[2] See Z. Landau, "Gospodarka budżetowa Polski Ludowej w okresie lubelskim," *Przegląd Historyczny* 56, 1965, no. 1, pp. 68–69.

[3] Ibid.

[4] For more, see M. Weralski, *Polskie prawo finansowe*, Warszawa 1964, p. 5.

[5] Treasure Act of 20 September 1946 for the period from 1 April 1946 to 31 December 1946, Journal of Laws of 1964 No. 50, item 284. For more, see A. Borodo, *Zupełność budżetu w Polsce Ludowej*, Toruń, 1979, pp. 38–40.

[6] See Z. Pirożyński, "Budżet państwowy Polski Ludowej w okresie odbudowy," *Zeszyty Naukowe Szkoły Głównej Planowania i Statystyki. Ze studiów nad budżetem państwa* 1961, no. 29, p. 29.

[7] See J. Jaśkiewiczowa, "Ustawy budżetowe w PRL," [in:] *System instytucji prawno-finansowych PRL*, vol. 2: *Instytucje budżetowe*, ed. M. Weralski, Wrocław 1982, p. 138.

[8] For more, see A. Komar, *Struktura budżetu PRL*, Warszawa 1966, pp. 25–30.

[9] Article 7 sec. 2 and Article 8 of the Constitutional Law of 19 February 1947 relative to the Organisation and Scope of Activity of the Supreme Authorities of the Republic of Poland, Journal of Laws of 1947 No. 18, item 71 [hencefort: the Small Constitution].

Chamber of Control examines the closure of the State accounts annually and submits a proposal to the Sejm to grant or refuse discharge to the Government.[10] It is worth noting that, in addition to the constitutional norms indicated above, there were no detailed provisions on the scope and structure of the budget and the rules for its preparation, adoption and implementation. These issues were regulated in numerous specific provisions, especially in the annual treasury Acts.[11]

In terms of their scope and form, the very first budgets of the PRL did not essentially differ from the pre-war budgets.[12] The main sources of revenue were taxes on private entities and contributions from monopolies[13]. The expenditures went primarily to the maintenance of the State administration apparatus and to national defence.[14] It should also be noted that in the first years after the war, the national economy was essentially not financed by the budget, but instead relied heavily on bank loans for both investment and exploitation activities.[15] The principles of unity and universality of the budget were also not observed during this period. This is because separate financial systems remained outside the budget, i.e. the financial system of local governments,[16] the property, personal and social insurance system, as well as the financial systems of nationalised companies and banks.[17] Until 1948, there was also a separate investment plan, which was the budget of investment expenditure.[18]

Since the dispersion of financial disposition among a number of ministries contradicted the assumptions of the socialist planned economy, a process of unification of the various financial systems began. Between 1947 and 1949, both the legal theory and legislation were dominated by the concept of a State financial plan, which was to include detailed financial plans, including the State

[10] Article 22 of the Small Constitution.

[11] M. Weralski, *Polskie prawo finansowe*, Warszawa 1964, p. 7. For more, see J. Jaśkiewiczowa, "Ustawy budżetowe w PRL," pp. 142–143.

[12] Both the revenue and expenditure sides consisted of the following four groups: administration, enterprises and establishments, monopolies and funds. For more, see L. Adam, *Prawo finansowe*, vol. 1: *Część ogólna*, Warszawa–Wrocław 1965, pp. 33–34.

[13] For more, see ibid., p. 34; Z. Pirożyński, "Budżet państwowy Polski Ludowej w okresie odbudowy," pp. 30–31.

[14] M. Weralski, *Polskie prawo finansowe*, Warszawa 1964, p. 5. Due to the need to act quickly, it was necessary to make appropriate use of the pre-war treasury apparatus and pre-war financial solutions, including the budget. For more, see L. Kurowski, J. Lubowicki, "Prawo finansowe," [in:] *Dziesięciolecie prawa Polski Ludowej 1944–1954. Zbiór studiów*, ed. L. Kurowski, Warszawa 1955, p. 124.

[15] See M. Weralski, *Finanse i kredyt Polskiej Rzeczypospolitej Ludowej*, part 2, Warszawa 1957, p. 20.

[16] For more, see L. Adam, *Prawo finansowe*, vol. 1, p. 35.

[17] For more, see L. Kurowski, J. Lubowicki, *Prawo finansowe*, p. 125; S. Bolland, "Ewolucja zakresu budżetu państwowego w Polsce Ludowej," *Folia Oeconomica Cracoviensia* 1970, no. 9, pp. 21–28.

[18] For more, see Adam, *Prawo finansowe*, vol. 1, 34.

budget.[19] It was argued in the literature that the State's aim was to manage a planned economy, which means that in the economic section it plays a dual role: as the disposing authority of the planned economy in relation to the whole of the national economy and as an entrepreneur conducting direct economic activity — in relation to the nationalised part of the national economy.[20] The State budget in its traditional sense was seen as an institution whose framework does not cover issues in the State economic sector, and therefore a financial plan had to be created that would be an umbrella plan for the various expenditure plans, including the State budget.[21]

The concept of a State financial plan was partly implemented under the name of a financial programme, which, however, did not have the character of an operative plan but was a kind of general, planned financial balance sheet.[22] At the same time, the scope of the State budget itself was being expanded and the degree of coordination with the budget of financial tasks established in other plans was being strengthened. Between 1947 and 1949, funds, the finances of enterprises run according to the principles of economic settlement as well as economic and social insurance were linked to the budget. Financing of investments of entities covered by the budget was also included in the budget.[23] The system reform of 1950, which abolished local government unions and established National Councils as territorial bodies of unitary State authority, made it possible to extend the scope of the State budget to include the former local government budgets as well.[24] It should also be noted that the expanding scope of the budget was linked to the transformation of the office of the Minister of the Treasury into the office of the Minister of Finance and a change in the scope of his or her tasks,[25] as well as the change of the name "Treasury Act" into "Budget Act."[26]

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[19] In accordance with the contents of the Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system (Monitor Polski No. 120, item 762), the State Financial Plan was a component part of the National Economic Plan, and its purpose was to coordinate the disposition of funds to meet the financial needs of the State, public law associations and the national economy.

[20] See Z. Pirożyński, "Od budżetu do planu finansowego," *Gospodarka Planowa* 1947, no. 5, p. 167.

[21] Ibid., p.169. For more, see also B. Blass, "Budżet czy plan finansowy?," *Życie Gospodarcze* 1947, no. 12–13, p. 519.

[22] The state's financial balance sheet (originally called the financial programme) was a bilateral statement of planned inflows and outflows of cash in the entire State economy. However, it did not constitute a set of specific tasks for specific executors. See K. Ostrowski, *Prawo finansowe — zarys ogólny*, Warszawa 1970, p. 211.

[23] For more, see L. Kurowski, J. Lubowicki, *Prawo finansowe*, p. 126.

[24] Pursuant to Article 6(9) of the Act of 20 March 1950 on Territorial Bodies of Unified State Authority (Journal of Laws of 1950 No. 14, item 130, as amended), the National Councils adopted territorial budgets within the framework of the unified State budget and supervised their implementation.

[25] The Act of 7 March 1950 on Transformation of the Office of Minister of Treasure into the Office of Minister of Finance, Journal of Laws of 1950 No. 10, item 101.

[26] For more, see J. Jaśkiewiczowa, "Ustawy budżetowe w PRL," p. 138.

2. The period of adjusting the budgetary system of the Polish People's Republic to the needs of a planned national economy

A fundamental reconstruction of the budgetary system of the PRL took place after the adoption of the Resolution of 17 April 1950 by the Council of Ministers,[27] under which the system was adapted to the needs of a planned national economy, which meant in particular that the material scope of the State budget was significantly expanded.[28] The budget was linked to the national economic plan and based on the systemic principles of democratic centralism and the unity of the budgetary system.[29] Democratic centralism was an offshoot of the two key principles of the socialist system, i.e. the principle of people's rule and the principle of a planned economy.[30] In the budgetary system, democratic centralism manifested itself in the fact that each local National Council enacted and independently implemented its budget, but this budget was enacted within the limits set by the budget of the higher-level National Council or the State budget, which was intended to ensure that the tasks of the National Councils were linked to State-wide tasks.[31] The unity of the budgetary system, on the other hand, was a consequence of the political unity of the PRL and the economic unity embodied in the socialist ownership of the means of production and the socialist economic system.[32] It is also worth noting that it was characteristic of budget law of this period to regulate fundamental issues by resolutions of the State Council and the Council of Ministers, as well as orders and instructions of the Minister of Finance. Most of those regulations were in effect only in the given budgetary year and were included in a number of different legal acts.[33]

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[27] The Resolution of the Council of Ministers of 17 April 1050 on Introductory Guidelines for the Principles of the State Budget for the year 1951, Monitor Polski No. 55, item 631.

[28] For more, see Z. Pirożyński, *System budżetowy Polski Ludowej*, Warszawa 1952, pp. 97–108.

[29] The budgetary system was regarded as the most important centralised link in the socialist financial system. For more, see M. Weralski, *Finanse i kredyt Polskiej Rzeczypospolitej Ludowej*, Part I, Warszawa 1957, pp. 14–19.

[30] See A. Komar, *Struktura budżetu PRL*, p. 59.

[31] Z. Pirożyński, "System budżetowy i formy finansowania," [in:] *Prawo finansowe*, ed. L. Kurowski, Warszawa 1955, pp. 81–82. For more, see A. Komar, "Zakres i struktura budżetu," [in:] *System instytucji prawno-finansowych PRL*, vol. 2, p. 204.

[32] Z. Pirożyński, *System budżetowy Polski Ludowej*, p. 82. The organisational elements of budget unity were manifested in the link to the National Economic Plan and the inclusion of all financial matters in the State budget. For more, see J. Zdzitowiecki, "Nowa treść niektórych zasad budżetowych," *Państwo i Prawo* 1953, no. 2, pp. 261–262.

[33] See L. Kurowski, J. Lubowicki, *Prawo finansowe*, p. 130.

The next important stage in the development of budgetary law of the PRL is associated with the enactment of the July Constitution of 1952[34] and the issuance of the Decree of 17 December 1952 on the adoption and execution of the State budget.[35] The Constitution of the Polish People's Republic only provided a framework for the issues related to the budget, which was a deliberate move and a consequence of the assumption that the norms concerning the budget were secondary to the norms regulating the political, economic and social system of the State.[36] The Constitution did not use the term "democratic centralism," but nevertheless expressed this principle in the wording of its provisions, including those relating to budgetary matters.[37] This Basic Law also lacked provisions that directly referred the principle of unity to the State budget. However, it was pointed out in the literature that the unity of the budget resulted from the general foundations of the political system.[38]

In the area of budgetary procedure, the Constitution of the PRL abolished the previous limitations of the Sejm on the adoption of the budget by stipulating that the Sejm annually adopts the state budget and long-term plans for periods of several years, while the National Councils adopt local budgets and local economic plans.[39] The legislative initiative for the draft State budget was granted to the Council of Ministers. This body was also obliged to oversee the execution of the budget and the national economic plan, and to present a report to the Sejm annually on the execution of the State budget.[40] The provisions of the Constitution of the PRL were developed in a 1952 decree, which is considered to be the first small codification of budgetary law in Poland.[41]

As already indicated, the organisation of the budgetary system at that time was based on the principles of democratic centralism and the economic and political unity of the State.[42] Among the most important features of the socialist budget,

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[34] Constitution of the Polish People's Republic Adopted by Legislative Sejm on July 22, 1952, Journal of Laws of 1952 No. 33, item 232, as amended [henceforth cited as: PRL Constitition].

[35] Decree of 17 December 1952 on Establishment and Implementation of the State Budget, Journal of Laws of 1952 No. 50, item 334, as amended [henceforth cited as: 1952 Decree].

[36] See J. Zdzitowiecki, "Socjalistyczna definicja budżetu," *Państwo i Prawo* 1954, no. 4, pp. 649–650; J. Zdzitowiecki, "O dochodach i wydatkach budżetu państwa w Konstytucji PRL," *Ruch Prawniczy, Ekonomiczny i Socjologiczny* 1963, no. 10, pp. 83–98.

[37] See J. Zdzitowiecki, "Budżet państwa, budżet centralny i budżety terenowe w Konstytucji PRL," *Ruch Prawniczy, Ekonomiczny i Socjologiczny* 1966, no. 4, pp. 8–9.

[38] Ibid., pp. 4–5.

[39] Article 19 and 41 of the PRL Constitution.

[40] Article 32 of the PRL Constitution. For more, see J. Harasimowicz, Z. Pirożyński, E. Winter, *Budżet państwa*, Łódź-Warszawa 1957, pp. 53–58.

[41] See M. Weralski, *Polskie prawo finansowe*, Warszawa 1964, p. 8.

[42] It was emphasised in the academic legal literature that monetary resources, the collection and distribution of which were regulated by the budget, were centralised State resources, which was not contradicted by the partial delegation of the tasks of their collection and distribution to local State bodies. See K. Ostrowski, *Prawo finansowe*, p. 212.

the following were also mentioned: universality (completeness) of the budget,[43] as well as the balance and detailedness of the budget.[44] The State budget included State revenue and expenditure, i.e. revenues and expenditures of the chief State bodies, chief State administration bodies and their subordinate units, courts and prosecutor's office (central budget) and, collectively, revenues and expenditures of National Councils (field budgets).[45] The field budgets, covering the revenue and expenditure of the National Councils, had a three-tier structure within which the following were distinguished: budgets of voivodships and cities constituting voivodships, budgets of *powiat* districts and cities constituting *powiat* districts, and budgets of towns, housing estates and *gromada* districts. The State budget, budgets of voivodships, *powiat* districts and budgets of cities divided into districts were collective budgets, as they included revenue and expenditure of State bodies of a given level and collectively revenue and expenditure of State bodies of lower levels.[46] When adopting the State budget, the Sejm determined the revenue and expenditure of the chief State bodies and set limits on the revenue and expenditure of the National Councils.[47]

The budgetary procedure was governed by the provisions of the Constitution of the PRL, the 1952 Decree and the Act on the Territorial Bodies of Unified State Power.[48] At both the central and territorial levels, the obligation to present a draft budget rested with the collegiate bodies of the executive, i.e. the Council of Ministers and the Presidiums of the National Councils. The functions related to the preparation of budget projects, on the other hand, were performed by the financial authorities, i.e. the Minister of Finance and the financial departments respectively.[49] The basis for budget planning were the economic indicators of the national economic plan, by means of which the material tasks financed by the

[43] The universality of the budget meant that all State activity should find its expression in the budget. For more, see A. Borodo, *Zupełność budżetu w Polsce Ludowej*, p. 56.

[44] The balance of the budget was seen as stemming from the essence of the socialist economy, in which the budget expressed planned tasks for the distribution of national revenue. Detailedness was a consequence of the operative nature of the budget. For more, see M. Weralski, *Finanse i kredyt Polskiej Rzeczypospolitej Ludowej*, part 1, pp. 17–19.

[45] Z. Pirożyński, *System budżetowy Polski Ludowej*, p. 80. For more, see also J. Harasimowicz, *Budżet państwa*, vol. 1: *Wiadomości ogólne o budżecie*, Warszawa 1956, pp. 25–30.

[46] Article 2 of the 1952 Decree. For more, see Z. Pirożyński, *System budżetowy Polski Ludowej*, pp. 80–81; A. Komar, *Struktura budżetu*, pp. 58–87.

[47] A. Komar, *Struktura budżetu*, p. 80.

[48] Pursuant to Article 7 of the 1952 Decree, the Council of Ministers was authorised to determine the principles for the preparation of the draft State budget, while the Minister of Finance was authorised to issue detailed regulations for the preparation of the draft State budget. On the basis of the aforementioned authorisation, the following were issued, inter alia: Resolution No. 324 of the Council of Ministers of 29 April 1953 on the principles and procedure of adopting and examining field budgets, Monitor Polski No. 53, item 591; Resolution No. 325 of the Council of Ministers of 29 April 1953 on the principles and procedure of implementing the State budget, Monitor Poski No. 53, item 592 [henceforth: Resolution No. 325]). The so-called budget notes issued by the Minister of Finance were also important.

[49] Article 8 and Article 11 of the 1952 Decree.

budget were determined.[50] It is also worth noting that the draft budgets for 1951–1953 were developed from the bottom up, starting with the plans and estimates of all State enterprises, budget units, ministries and finance departments.[51] The bodies implementing the budget at the central level were the Council of Ministers, the Minister of Finance, budget units and the administrators of the budgetary items.[52] At the territorial level, the implementation of the budget was the responsibility of the presidiums of the National Councils and the financial departments.[53] The cash handling of the budget until 1950 was carried out by the specialised apparatus of the then Minister of the Treasury in the form of treasury cash offices. However, the transition to the extended scope of the budget required new rules in the field of the technical handling of the budget, which was reflected in the introduction from 1951 of a system of cash unity.[54] The National Bank of Poland was entrusted with the implementation of this system.[55]

The transformations in the political and economic spheres were also reflected in the structure of budget revenue and expenditure itself. With the development of the State's tasks, the importance of expenditure to finance the national economy and social and cultural services grew.[56] The consequence of the development of the State and cooperative economy was in turn an increase in the share of income from the socialist economy in total income.[57]

3. The period of decentralised management of the national economy

In 1956, following the negative effects that excessive centralisation had produced,[58] the process of extending the budgetary powers of the National Councils

[50] The link between the work on the draft budget and the work on the draft national economic plan was facilitated by the so-called financial guidelines (control figures). For more, see Z. Pirożyński, *System budżetowy Polski Ludowej*, pp. 110–114; M. Weralski, *Finanse i kredyt Polskiej Rzeczypospolitej Ludowej*, part 2, pp. 11–17.

[51] For more, see Z. Pirożyński, *System budżetowy Polski*, pp. 114–115; J. Harasimowicz, *Budżet państwa*, vol. 2: *Finansowanie jednostek budżetowych*, Warszawa 1956, pp. 57–74.

[52] Articles 17–18 of the 1952 Decree and §13–30 of Resolution No. 325.

[53] Articles 19–20 of the 1952 Decree.

[54] For more, see Z. Pirożyński, *System budżetowy* Polski, pp. 138–140 and L. Kurowski, J. Lubowicki, *Prawo finansowe*, p. 131.

[55] Article 22 of the 1952 Decree. The cash handling of the Budget was regulated in detail in the implementing rules. See the Resolution No. 325. For more, see B. Szymot, *Rola Narodowego Banku w wykonywaniu budżetu państwa*, Warszawa 1962, p. 96 ff.

[56] For more, see J. Harasimowicz, *Budżet państwa*, vol. 1, pp. 30–33.

[57] For more, see M. Weralski, *Finanse i kredyt Polskiej Rzeczypospolitej Ludowej*, part 2, p. 20; J. Zdzitowiecki, "O dochodach i wydatkach budżetu państwa w Konstytucji PRL," p. 95.

[58] For more on the excessive centralism of the administration in this period, see J. Starościak, *Decentralizacja administracji*, Warszawa 1960, pp. 122–135.

was initiated.[59] By a resolution of the Council of Ministers in October 1956, field budgets were extended to cover certain centrally planned economic tasks, the share of field budgets in revenues from the economy subordinate to the National Councils was increased, and revenues from certain taxes were transferred in full to field budgets.[60] By a decree of 31 December 1956, the principle of capping territorial budgets was repealed.[61] The National Councils were empowered to adopt their budgets within the limits of their own revenues and the revenues transferred from the higher-level budget, prior to the adoption of the State budget by the Sejm.[62] Since the territorial budgets were adopted before the Sejm adopted the State budget, they could differ from each other. Therefore, it was necessary to allow for adjustments in the budget passed by the National Council.[63] The Budget Law Act passed on 1 July 1958[64] provided, on the one hand, that when passing collective budgets, National Councils could, in justified cases, oblige lower-level National Councils to introduce changes to their budgets.[65] On the other hand, it obliged the Presidiums of the National Councils to introduce changes resulting from the Budget Act or the Budget Resolutions of the National Councils of a higher level into the territorial budgets.[66] In order to increase the limited financial independence of the National Councils, new sources of budget revenues, including in the form of taxes and field fees, were also transferred to them under a separate Act.[67]

By means of the Budget Law of 1958, also the powers of the Council of Ministers were limited and a number of obligations of the government towards the Sejm was introduced.[68] The Council of Ministers was obliged to submit to the Sejm a draft law on a provisional budget one month before the beginning of the budget period, if a draft budget had not been submitted by that date.[69] The Law also

[59] Between 1951 and 1956, the budget management of the National Councils was almost entirely dependent on the central units, as the National Councils' own budget revenues only minimally covered the expenses of the field budgets. See L. Adam, *Prawo finansowe*, vol. 1, pp. 51–53.

[60] Resolution No. 611 of the Council of Ministers of 3 October 1956 on Further Expantion of National Councils' Powers in the Area of National Economy Governance, Monitor Polski No. 91, item 1027. For more, see: J. Wierzbicki, "W sprawie rozszerzania samodzielności finansowej rad narodowych," *Finanse* 1961, no. 6, pp. 29–42.

[61] Decree of 31 December 1956 amending the Decree on Establishment and Implementation of the State Budget, Journal of Laws of 1957 No. 1, item 5.

[62] For more, see L. Adam, *Prawo finansowe*, vol. 1, pp. 59–60.

[63] See A. Komar, "Budżety terenowe," [in:] *System instytucji prawno-finansowych PRL*, vol. 2, p. 249.

[64] Act of 1 July 1958 on Budgetary Law, Journal of Laws of 1958 No. 45, item 221, as amended [henceforth: the 1958 Budget Law].

[65] Article 21 sec. 3 of the 1958 Budget Law.

[66] Article 24 sec. 1 of the 1958 Budget Law.

[67] Act of 1 July 1958 on Income of National Councils, Journal of Laws of 1958 No. 44, item 214.

[68] See M. Weralski, *Polskie prawo finansowe*, Warszawa 1964, p. 8.

[69] Article 2 of the 1958 Budget Law. For more, see J. Zdzitowiecki, "Rok budżetowy," *Ruch Prawniczy, Ekonomiczny i Socjologiczny* 1961, no. 3, pp. 57–59.

contained a regulation according to which the execution of the State budget was subject to the control of the Sejm. Consequently, the Council of Ministers was obliged to adopt annual reports on the execution of the State budget and submit them to the Sejm for approval, no later than on 1 October of the next budgetary period.[70] It is also worth noting that it was not until the Budget Law of 1958 that there was a provision stipulating that the Sejm enacts the State budget in the form of an Act.[71] Although the Constitution of the PRL provided that the Sejm would enact the State budget annually, it did not explicitly indicate the form in which legal act of the budget was to be enacted.[72] The Budget Law also contained a regulation according to which the inclusion in the State budget of revenues from certain titles or expenditures on certain tasks did not create obligations or grounds for claims by the State against third parties, or by those parties against the State.[73] In the context of the provision referred to, divergent opinions have emerged in the legal literature on the legal nature of budget acts.[74]

When analysing the contents of the Budget Law of 1958, it should be further noted that this Law regulated not only the budget procedure but also the concepts of budget units,[75] budget establishments and state-owned enterprises and, to a limited extent, also the elements of the contents of the budget.[76] The Law also introduced into the budgetary system the hitherto unknown institution of disciplinary liability for breach of a budgetary discipline.[77] This responsibility covered enumerated forms of breaches of budgetary discipline, mainly in terms of the execution of the budget.[78] In addition, the Budget Law set out the basic budgetary principles, i.e. the principle of compatibility of the budget with the national economic plan, the balancing of budget revenue and expenditure, as well as the principles of completeness, unity, detailedness and transparency.[79]

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[70] Article 49 of the 1958 Budget Law. For more about the budgetary procedure, see Z. Pirożyński, H. Sochacka-Krysiak, *Budżet państwa*, Warszawa 1970, p. 298 ff.

[71] Article 2 sec. 2 of the 1958 Budget Law.

[72] See J. Zdzitowiecki, "Ustawa budżetowa," *Ruch Prawniczy, Ekonomiczny i Socjologiczny* 1959, no. 3, pp. 45–46.

[73] Article 15 of the 1958 Budget Law.

[74] See J. Zdzitowiecki, *Ustawa budżetowa*, pp. 66–69; cf. M. Weralski, "Prawny charakter budżetu państwowego," [in:] *System instytucji prawno-finansowych PRL*, vol. 2, p. 168; W. Łączkowski, "Autoryzacja budżetu," [in:] ibid., pp. 457–458.

[75] For more, see N. Gajlowa, "Formy budżetowania," *Finanse* 1964, no. 8, pp. 41–46.

[76] Article 10–13, Article 8–9 and Article 15 of the 1958 Budget Law.

[77] Article 44–48 of the 1958 Budget Law and the Ordinance of the Council of Ministres of 28 July 1960 on Regulation Penalties for breach of Public Finance Discipline, Journal of Laws of 1960 No. 41, item 247, as amended.

[78] For more, see M. Mazurkiewicz, "Dyscyplina budżetowa," [in:] *System instytucji prawno-finansowych PRL*, vol. 2, pp. 578–585.

[79] For more, see M. Mazurkiewicz, *Socjalistyczne instytucje budżetowe*, Warszawa 1966, pp. 48–78.

The critically assessed Budget Law of 1958 was replaced by another act of a codifying nature, i.e. the Budget Act of 25 November 1970.[80] The new regulation provided a legal definition of the State budget, indicating that it was a basic plan for the accumulation and use of funds that ensured the performance of State tasks.[81] The 1970 Budget Law also addressed the basic budgetary principles in a different way. Thus, the principle of conformity of the budget with the national economic plan was expressed in the provision stating that the basis for determining the revenue and expenditure of the State budget are the tasks defined in the national economic plan.[82] The new Law also did not expressly impose an obligation to comply with the principle of revenue and expenditure balancing at all stages of budgetary management.[83] Nevertheless, it has been argued in the literature that the demand for balance arose from the legal definition of the State budget and the basic principles of a socialist economy.[84] In practice and the legal theory it was also accepted as a rule that in a socialist economy loans should not be used to cover the budget deficit,[85] while surpluses were placed in the banking economy in the form of long-term deposits.[86] The Budget Law of 1970 also regulated the budget units and the units that could settle the financial result with the budget.[87]

The organisational structure of the budget was directly linked to the structure of State power and administration. As in previous years, the State budget comprised a central budget and field budgets.[88] It should be noted here that the May 1975 Act replaced the three-tier administrative division of the country with a two-tier division.[89] Consequently, there were two levels of unit, area-based budgets, i.e. gmina district (commune) and town budgets as well as voivodship budgets. The unit budgets were part of the collective budgets, which were the voivodship budgets and the State budget.[90] The basis for the adoption of territorial budgets

[80] Act of 25 November 1970 Budget Law, Journal of Laws of 1970 No. 29, item 244, as amended [henceforth: the 1970 Budget Law].

[81] Article 1 sec. 1 of the 1970 Budget Law.

[82] Article 1 sec. 3 of the 1970 Budget Law. For more, see M. Weralski, *Polskie prawo finansowe*, Warszawa 1978, pp. 97–98.

[83] For more, see J. Głuchowski, "Nadwyżka budżetowa," [in:] *System instytucji prawno-finansowych PRL*, vol. 2, p. 363.

[84] For more, see M. Weralski, *Polskie prawo finansowe*, Warszawa 1978, p. 10; E. Drgas, "Konstrukcja systemu budżetowego," [in:] E. Drgas, J. Głuchowski, H. Reniger, *Finanse i prawo finansowe*, Toruń 1977, p. 24.

[85] See L. Kurowski, *Wstęp do nauki prawa finansowego*, Warszawa 1982, p. 61.

[86] For more, see J. Głuchowski, "Nadwyżka budżetowa," pp. 366–371.

[87] Article 8–11 of the 1970 Budget Law. For more, see C. Kosikowski, "Formy prawne budżetowania," [in:] *System instytucji prawno-finansowych PRL*, vol. 2, pp. 311–327.

[88] Article 2 of the 1970 Budget Law.

[89] Act of 28 May 1975 on Two tier Division of the State and Amending the Act on National Councils, Journal of Laws of 1975 No. 16, item 91.

[90] M. Weralski, *Polskie prawo finansowe*, Warszawa 1978, p. 104. For more, see A. Komar, "Budżety terenowe," pp. 197–214.

was the arrangements of the Budget Act and the Budget Resolution of a higher level council or their draft.[91] However, if the basis for the adoption of the territorial budget was a draft budget Act or the draft budget of a higher level, the territorial administrative bodies were obliged to introduce in the course of budget implementation any changes resulting from the budget Act or from the resolutions of the National Councils of a higher level.[92]

In addition to the issues indicated above, the 1970 Law mainly took into account the many previous experiences of budgetary practice, particuraly with regard to the budgetary procedure.[93] The range of information material presented by the Council of Ministers to parliament was expanded, especially in the area of extra-budgetary economy, while at the same time the government's budgetary powers were extended.[94] In the opinion of legal scholars, however, the new budget law, despite numerous detailed solutions, did not change the structural principles of the budget. Indeed, regardless of the changing tendencies towards centralisation or decentralisation, the organisational structure of the budget very generally corresponded to the assumptions of the political and socio-economic system.[95] It should also be noted that the provisions of the Law were kept up to date by the provisions of the annual Finance Acts.[96]

4. The period of the economic crisis in the 1980s

The last act defining the general principles and structure of the budgetary system of the PRL was the Budget Law of 1984.[97] It was enacted during a period of a severe economic crisis and the economic reform, the purpose of which was to increase the independence of undertakings, as well as further territorial decentralization.[98] The Law clarified the concept of the State budget by stating that it is an annual plan of revenue and expenditure for the purposes and tasks of the State indicated therein.[99] As in previous years, the organisational structure of the budget

[91] Article 42 of the 1970 Budget Law.

[92] For more see A. Komar, "Budżety terenowe," pp. 249–252.

[93] The following were regulated in detail: the procedure for the preparation and adoption of the State budget and the central Budget as well as the territorial budgets, the rules for the execution of the central and territorial budgets, the control of the budget execution, and budgetary discipline.

[94] M. Weralski, *Polskie prawo finansowe*, Warszawa 1978, pp. 97–98.

[95] See W. Łączkowski, "Budżet państwa jako instytucja ustrojowo-polityczna," [in:] *System instytucji prawno-finansowych PRL*, vol. 2, p. 121.

[96] See L. Kurowski, *Wstęp do nauki*, p. 58.

[97] Act of 3 December 1984 Budget Law, Journal of Laws of 1984 No. 56, item 283, as amended [henceforth: the 1984 Budget Law].

[98] For more, see H. Sochacka-Krysiak, *Struktura i funkcje budżetu a problem decentralizacji terytorialnej w systemie zarządzania*, Warszawa 1986, pp. 12–31.

[99] Article 1 of the 1984 Budget Law.

was closely aligned with that of the State apparatus. The State budget comprised the central budget and the territorial budgets, which consisted of the budgets of the primary-level National Councils and the budgets of the voivodship National Councils.[100] Thus, the concept of the State budget as an omnibus budget, including, inter alia, all field budgets, was maintained. However, the Budget Law of 1984 did not provide for the institution of a collective budget at the voivodship level. The budget resolutions of the voivodship National Council established the revenue and expenditure of the voivodship institutions and units, i.e. the voivodship budget, and the amounts of subsidies and other revenue feeding the budgets of towns, gmina districts, town districts and towns-gminas located on the territory of a given voivodship.[101] The lower-level budgets were in turn linked to the voivodship budgets by financial transfers, primarily by the amount of the respective subsidies.[102]

In addition to the organisational structure of the budget, the 1984 Law defined the principles for the classification of budget revenue and expenditure, the principles and forms of financial management of budget units, budget establishments and special purpose funds, revenue and expenditure of the central budget and field budgets, the budget procedure and responsibility for breach of budget discipline. In this respect, the norms strengthening the position of the Sejm in the area of budget management are particularly noteworthy. This is because provisions have been added to the Law, according to which the assumptions to the draft State budget should be presented to the relevant Sejm committee already at the preliminary stage of work on the draft.[103] The scope of the Budget Law has also been extended and it has was stipulated that, in the course of budget implementation, additional budget appriopriations can only be granted by the Sejm and that transfers of the budgetary expenditure between parts and sections are accompanied by the opinions of the Sejm committee.[104]

An important novelty was the inclusion in the contents of the Law of provisions regulating financial planning. According to these regulations, for the period of the national social and economic plan, an estimated balance of State budget revenue and expenditure and a financial balance of the State were developed. The Council of Ministers presented to the Sejm the estimated balance of State budget revenue and expenditure together with the developed proposal of revenue feeding the territorial budgets and the financial balance of the State together with the draft

[100] Article 2 of the 1984 Budget Law. Article 47 of the Act of 20 July 1983 on the System of National Councils and Local Self-Government (Journal of Laws of 1983 No. 41, item 185) stipulated that a National Council was financially independent and responsible for financing tasks within the framework of the budget and special-purpose funds.

[101] See A. Borodo, *Prawo finansowe rad narodowych*, Toruń 1988, pp. 49–50.

[102] For more, see ibid., p. 47.

[103] Article 32 of the 1984 Budget Law.

[104] See W. Nykiel, "Prawo budżetowe," [in:] *Raport o stanie prawa finansowego i pożądanych kierunkach jego rozwoju w okresie realizacji II etapu reformy gospodarczej*, ed. C. Kosikowski, Warszawa 1988, p. 37.

resolution on the national socio-economic plan. The Sejm then passed, together with the national socio-economic plan, revenue feeding the territorial budgets.[105] The voivodship National Councils and the primary level National Councils, on the other hand, adopted financial plans of tasks for five-year periods.[106] It is worth noting that the academic legal literature approved of the inclusion of provisions on multi-year budget planning in the text of the Law.[107] At the same time, however, it was argued that the Budget Law did not clearly define the place of the budget in the financial planning system and, in particular, its relation to other financial plans.[108]

The 1984 Law was the last act of a codifying nature, the content of which reflected the assumptions of the budgetary system of the socialist State. As a result of the democratic changes that took place in Poland after 1989, as of 27 May 1990 local self-government was restored.[109] With the appointment of the first non-communist government in post-war Poland in September 1989, the process of transition from a planned to a free market economy also began. In the sphere of budgetary law, the manifestation of these transformations was the Act of 5 January 1991 — the Budget Law,[110] which is considered to be the first systemic act regulating budgetary law of Poland in the period of the political transformation.

Concluding remarks

In the development of the budgetary system of the PRL, several stages can be distinguished in which there were successive tendencies towards centralisation or decentralisation. In the first years after the war, the principles of budget unity and universality were not preserved. Indeed, separate financial systems, including above all the financial system of local government, remained outside the budget. In addition to the State budget, there was also a separate investment expenditure budget. A fundamental reconstruction of the budgetary system of the Polish People's Republic did not take place until the adoption of the Resolution of 17 April 1950 by the Council of Ministers and the July Constitution of 1952. The structure of the budget was based on the systemic principles of democratic centralism and the unity of the budgetary system.

[105] Article 26 and Article 28 of the 1984 Budget Law.

[106] See J. Jaśkiewiczowa, *Prawo finansowe*, Gdańsk 1988, p. 45.

[107] See W. Nykiel, "Prawo budżetowe," pp. 36–37.

[108] Ibid., p. 36. For more, see also I. Trzaskalska, *Plany finansowe przedsiębiorstw a budżet państwa*, Katowice 1984, pp. 22–39.

[109] The Local Government Act of 8 March 1990, Journal of Laws of 1990 No. 16, item 95, as amended. One of the fundamental attributes of local government independence was a relatively independent financial management.

[110] Act of 5 January 1991 Budget Law, Journal of Laws of 1991 No. 4 item 18, as amended.

The next stage in the development of the law and budgetary system of the Polish People's Republic fell during the period of economic decentralisation and the democratisation of public life after 1956. During this period, the powers of the National Councils in the field of managing the national economy were extended, and the role of the Sejm in the budgetary procedure was also increased. An expression of the search for new directions of the budgetary system was the Budget Law of 1970.

The last act of a codifying nature, the content of which reflected the assumptions of the budgetary system of a socialist state, was the Budget Law of 1984, issued during the economic crisis of the 1980s, the content of which included, inter alia, provisions regulating financial planning. In conclusion, it should be stated that, despite the changing tendencies towards centralisation and decentralisation, throughout the entire period of the PRL the budget system and the organisational structure of the budget corresponded in principle to the assumptions of the political and socio-economic system, at the basis of which lay the principle of democratic centralism and the political and economic unity of the state.

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