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## The State Does Not Depreciate

The economy of the state and state-owned enterprises is usually assessed on the basis of budget implementation data. This is not, unfortunately, a sufficient source for assessing the effects of the state economy.

Apart from other shortcomings of state accounting, which have been written about many times and will, unfortunately, continue to be written about, the state budget does not provide a sufficient picture of the economy, because it is only a summary of cash receipts and expenses.

Cash operations do not cover all the effects of the state economy. Just like in a private enterprise, not only cash turnover determines the successful running of the enterprise. In particular, cash operations do not tell us anything about the changes taking place in the size of the state's assets.

As we know, there are no indestructible economic goods in the world. There are only more or less durable.

Anyone, who does not want their assets to decrease over time, must depreciate them and save certain amounts, either for the renovation of old buildings or for the construction of new ones to replace those destroyed.

Only those sums, intended for investments and renovations, that exceed the normal depreciation rate, are, in the proper sense of the word, investments.

Depreciation and depreciation are actually normal current expenses not only for every private enterprise, but also for any public body. Whoever does not depreciate loses their assets.

State accounting does not, at all, take into account depreciation in the case of items under the direct state authority administration, while state-owned enterprises, depreciation is only taken into account by some of them.

In particular, our largest state-owned enterprise, which covers approx. half of the state's assets – Polish State Railways [PKP] – does not appreciate.

What is worse is that the sums,

written off as depreciation by enterprises or state monopolies, are not used for renovation or for construction of new facilities to replace old ones. These sums are largely transferred to the State Treasury for recurrent budget expenditure.

The issue of depreciation cannot be ignored when considering the results of the state's activities as an entrepreneur and then assessing the rationale of the state's borrowing policy.

In order to significantly assess the economic values of state-owned enterprises, it is necessary to take into account, among other things, whether the enterprise has set aside appropriate amounts for depreciation.

If, for example, a company, with assets worth one hundred million, which are likely to devalue over ten years, will pay three million zł. to the Treasury in that year, and does not depreciate anything, not only will there be no profit, it will also not cover the interest on the capital invested. The result will be a loss of seven million zł.

State assets, invested in the enterprise did not only not increase, but decreased. This is too often forgotten when analysing the activities of the state as an entrepreneur.

Our budget is divided, roughly, into an ordinary budget, the implementation of which is published in the "Statistical News", and an "investment budget".

We are proud that our ordinary budget, which includes only "normal" state expenses, is balanced, and that loans taken out by the state are only used for new investments. Is this really the case?

Unfortunately, no. That part of the investments, which serves only the renovation of existing state facilities, as well as those investments that are aimed at replacing the wear and tear that time causes on state assets, are just as "normal" vegetative expenses as official salaries.

They should, in the same way as salaries, be covered by normal income. If this is not the case, we are eating into state assets.

Let us take state roads, for example. First, and quite rightly, expenses for maintaining state roads were included in the state budget. When the budget became tight, a Road Fund was created, the expenses for which were to be covered by special taxes.

It was one of numerous operations whose only effect was to obscure state accounting. When the Fund turned out to be too small, road expenses were covered by loans.

In fact, these expenses, which are normal state expenses, should be included in the budget and their financing from loans is a deficit in the normal state budget.

We have a broad investment plan.

We pride ourselves on balancing the state budget, emphasising that only investments are covered by loans. We consult authorities for advice on covering investments with loans.

All this would be true if the investment budget included only new investments and if it was not used to cover ordinary current expenses, normal renovation and the depreciation of state assets.

Meanwhile, at least a significant part of the funds, earned from investments plans, is designated for renovation. They are to be used to maintain state property and not to increase wealth. The increase in state debt is not matched by growing state income.

In fact, we still have a deficit in the regular state budget.

Due to the difficulties involved in estimating state assets and their renovation needs, it is impossible to precisely determine the amount of the deficit.

Nevertheless, our budget still needs fixing. It is not yet in such a state that the budget issue can be considered as being fundamentally resolved.

There, one should approach the financing of the investment plan with caution, because it should be remembered that, at least in large part, it is an operation which masks the budget deficit,

### Krain & Fesser

KATOWICE  
Częstochowa Branch  
ul. Berka Joselewicza No. 6

Recommended:  
steel of all types:

high-speed cutting, chrome-nickel, construction, tools,  
silver, Martyn machine, serpentine in sword and  
Flottman profiles, transmission, rolled & drawn shafts

Sheets:

steel and punched

Wire:

for welding, piano, steel, spring

Twist Drills:

made from tool and high-speed steel

Technical Articles

electrical drills and grinders, emery and felt discs,  
abrasive powder and cloth, asbestos, plastic fibre  
boards and all other technical articles.

### Murderers of Minister Pieracki Sentenced

Warsaw: The trial of the O.U.N (organisation of Ukrainian Nationalists) has ended.

Legal appeals were filed by defendants Stefan Bandera, Mikołaj Tebed and Jarosław Karpyniec. All three **has** have been given the death penalty by the Court of Appeal, which was commuted to life imprisonment under amnesty. Bodhan Pidahjny and Mikołaj Kłymyszyn were sentenced to life imprisonment, Darja Hnatkiewska to fifteen years in prison, Eugenjusz Kaczmarek to

twelve years in prison and Katarzyna Zarycka to four years in prison.

The Supreme Court rejected the defendants' appeals on the basis of legality, so that the judgment of the Court of Appeal was upheld.

Defendants Maluca and Myhal, sentenced to 12 years in prison, Czornij (2 years) and Rak (4 years) had accepted their sentence handed down by the court and did not file a legality appeal.

### Kiepura sings for radio listeners

As we already know, Polish Radio is preparing one of the biggest attractions of the summer season for June 27<sup>th</sup> and 28<sup>th</sup>.

It will be a performance by Jan Kiepura. This news has electrified all radio listeners, who will be waiting impatiently with loudspeakers and headphones, to hear the greatest Polish singer.

On the evening of 27<sup>th</sup> June, a concert will be broadcast from the Warsaw Philharmonic during which Kiepura will perform arias from "Halka", "The Legend of the Baltic Sea", "Turandot", "La Boheme" and "Werther". He will also sing Marczewski's song "On Your Lips of Coral".

On 28<sup>th</sup> June, at 9:50am, marking the occasion of the Sea Holiday, a solemn service will be held on Plac Marshall Piłsudski. During the service, Kiepura will perform two songs – "Ave Maria" by Gounod and "Song of the Soul" by Adam.

After the service, radio listeners shall also hear an aria from the opera "The Haunted Mansion" and the song "Hey, the Rafter's Child" by Münchheimer.

Thanks to these broadcasts, radio listeners, from all over Poland, will be able to enjoy the singing of Kiepura, which has already conquered the entire world.