

# **Productivity of Western and Domestic Capital in Polish Industry**

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## **Abstract**

The efficiency of western capital in Polish industry during 1961-81 is estimated within a production function framework using a new time series on western and domestic capital. Analysis of changes in total factor productivity, output elasticities and marginal products suggests Gierek's New Development Strategy failed to raise industrial productivity and that investment in western capital was often wasted. For many industries the strategy's premise of increasing efficiency through western capital imports appears to have been misguided since the marginal product of western capital was lower than that of domestic capital already during the 1960s. Importation of western capital exacerbated these differentials.