

The Polish Transformation against the Backdrop in the Mid-Eastern Europe

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ABSTRACT

Without institutional changes in the countries restructuring their political-economical and social system, it would be impossible to achieve a goal, which establishes an efficient and competitive economy. This policy requires not only the forming of financial markets and institutions, but also a deep reform of economic life. Therefore, the subject of this article is the clearly obvious transformation processes in Poland after 1989. In the first part of this article, the author indicates determinants of the transformation process in the Central and Eastern European countries, characterizing, e.g., such factors as the geopolitical location of a country, the achieved level of economic development before 1989, or the depth of the reforms and their social acceptance.

DETERMINANTS OF THE TRANSFORMATION PROCESS IN MID-EASTERN EUROPE

It is striking that until recently in all the lexicons under the entry "transformation" one could find a definition explaining that it is in other words a change,

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conversion, understood as a spiritual, inner metamorphosis... of a literary character. It was the fall of communism in the part of our continent, which could be described, using the words of Milan Kundera from 1984, as geographically in the center of Europe, culturally in the West and politically in the East of Europe¹ that initiated using the term "transformation" also, and nowadays perhaps even mainly, to explain political, economic, social changes in the countries liberated from the burden of communism. Moreover, a process that we are not only witnesses of, merely passive observers, but also participants – no matter on which side of the former "iron curtain" we stand.

However, it would be ridiculous to claim that the transformation is a new phenomenon. The change has been and still is an inseparable element of life. And in its biological aspect as well as in the socio-political-economical one. In both cases an attempt of scientifically specify the beginning or the end of the process introduced in such a way is obstructed by serious obstacles. Because in the same manner it is difficult to biologically specify with great detail the beginning of a conceived life as it is difficult to introduce in a social life an attempt of explicit indication of the borderline between the old and the new. Therefore while describing the transformation we need to be supported by the calendar, however its dates may be of any value to us only as turning points in time. They do not explain either the background, or the roots, or the complexity of the process of changes itself.

Thus, moving from the fall of the empires *with no heavenly marks* (Zbigniew Herbert, "Transformations of Livy") and the belief in the necessity of a *quick change in a manner allowing for everything remaining the same* (Giuseppe Tomasi di Lampedusa, "Il Gattopardo"), it is safer to view the transformation not within the strictly specified time ranges, but to discover the impulses, barriers, and finally the determinants of this process. And it needs to be added, that the process is not understood necessarily as a historical domino, in which moving the first block causes all the others to fall. The course of transformation, as shown by the experiences of Mid-Eastern Europe countries, is not but a reflection of the cosmological theory of the Big-Bang. Bearing in mind the above, we are therefore allowed to finally define the transformation as a process of system (establishment) changes consisting in gradual (slower or faster) moving from the omnipotence of the country and planned economy to market economy, democratic rule of law and civic society.

In the description of conditions of external transformations in Mid-Eastern Europe after the year 1989 one cannot remain unsaid in the face of the ones usually described as having historical significance. Undoubtedly, the collapse of the Soviet Block, and in consequence the Soviet Union itself, has been such an event. An event in the result of which Poland has changed all its neighbors. And without a single shot from a weapon on its side. German Democratic Republic (GDR) disappeared from the political map of Europe similarly to Czechoslovakia, providing room to the Federal Republic of Germany as well as the Czech Republic

1 M. Kundera, *The Tragedy of Central Europe*, in: Gale Stokes (ed.), *From Stalinism to Pluralism. A Documentary History of Eastern Europe since 1945*, New York, Oxford University Press, 1991, pp. 217-223.

and the Slovak Republic. USSR has been replaced beyond the eastern border of Poland by Lithuania, Belarus and Ukraine. And only a small Russian enclave around Krolewiec on the northern border of the country of Poland is a reminder of a direct neighborhood with the previously great force, which had been deciding about the fate of this part of Europe for almost a half of a century.

GEOPOLITICAL CONDITIONS CONTRIBUTING TO CHANGES IN MID-EASTERN EUROPE

If one should evaluate the change of the bipolar system into the multilateral one in terms of the criteria of geopolitical categories known since the ancient times, then it needs to be said about the perforation of state sovereignty that it is a trend of significance not recognized until now. Thus if, in classical legal understanding, the external aspect of sovereignty of a state was understood as self-governing, i.e. its independence and full ability to act in terms of international law, then the phenomenon of transferring the processes of decision making to the level of the European Union, which we are witnessing, forces to label such an instance of sovereignty as divisible, shared or exercised collectively².

James N. Rosenau, who is conducting research upon these problems, states that economic globalization, constant flow of technology and forming of the international standards force unification. On the other hand decentralization tendencies, including regionalization and the will to preserve local identity³, also gain significance. These two antagonistic evolutionary tendencies, integration and fragmentation, in the worldview he presented, cause the developing perforation of state sovereignty being accompanied by the emergence – and this is the mark of our times according to Rosenau – of spheres of authority absolutely independent of national states, ranging from international corporations to supranational political-economical groups⁴.

Nevertheless, irrespective of the presented, one might say, general international evolutionary tendencies, on the basis of the Mid-Eastern Europe countries, as a result of transformational processes, we can observe the emergence of distinct differentiation in the inner socio-economical and political development of these countries. It is the result of:

- geopolitical location
- historical legacy
- level of economic development reached before 1989
- the depth of reforms after 1989
- rate of social acceptance-opposition against reforms and
- the level of social culture

2 W. Anioł, *Państwo postsuwerenne? Rozproszenie władzy w środowisku międzynarodowym*, in: "Sprawy Międzynarodowe", 4, 2000, pp. 12-13.

3 James N. Rosenau, *Along the Domestic-Foreign Frontier: Exploring Governance in a Turbulent World*, Cambridge, Cambridge University Press, 1997, pp. 99-117.

4 James N. Rosenau, *op. cit.*, pp. 43-44.

However, considering the experiences of all Mid-Eastern Europe countries while performing the transformation there in the recent years, it needs to be remarked that the division into leading countries and the ones being held back in the process has not been successful. Almost each of these countries having been the leader in changes for a certain period of time, none were able to keep the primacy for long. It was the result of unstable economic policy on the one hand and political perturbations in these countries on the other.

Irrespective of the causes mentioned herein, it is necessary to emphasize the fact that the factor effectively accelerating the pace of reforms in the aforementioned countries was the willingness to join the European Union. To be more precise, the necessity of reaching the standards imposed by this organization to the candidates from the eastern part of our continent. It is worth reminding of these criteria⁵ stated in the year 1993 at the European Union summit in Copenhagen. They, like no other, give credit to the efficiency - as seen especially in the perspective of time - of the European Union policy towards the countries which decided to enter the thorny path of changes under the motto of „from transformation to integration”. The aforementioned catalogue of criteria comprises of:

- the existence of stable democracy and the institutions guaranteeing the rule of law as well as complying the human rights,
- efficient functioning of the market economy, able to bear the rules of free competition,
- the ability of acquiring the Union *acquis communautaire* to own legal order as well as
- acceptance of the political aims of the Union and its economic and monetary principles.

While talking about the pace of the changes, a question arises with all certainty: how long can or should the process of transformation last? Zbigniew Brzezinski, when asked about it in the year 1994 with reference to Poland, responded that it lasted as long as the existence of communism in the country⁶. In order to weaken, but not deny, the categorical character of this presumption, one ought to mention other factors, different from the ones mentioned herein, determining the success of the transformation in its initial stage. They constitute of the following determinants:

- the level of political and economic liberalization from before 1989,
- the consistency of new authorities in conducting reforms,
- social consensus while bearing the costs of transformation, the help of developed countries, understood here also as counseling and as transferring the know-how, and finally as opening own markets to the goods from the countries being the subject of transformation. This cluster of help also includes
- which is especially important in the case of Poland - partial remission of a debt

5 Archiv der Gegenwart 12 (1993), pp. 37973-37974.

6 P. Friedrich, J. W. Tkaczyński (Hrsg.), *Auslandsinvestitionen in Polen*, Berlin-Wien, Verlag Österreich, 1995, p. 15.

- or allowing for paying it back in more convenient installments, or establishing for the debtor a more convenient interest rate. And last but not least,
- the inflow of foreign capital. Especially important as it is difficult to build capitalism without a capital.

THE STARTING POINT AND THE COURSE OF TRANSFORMATION IN POLAND AFTER 1989

While attempting to describe the „o” hour in the country which decided to reform its political system, we can use two methods. The first, in the form of a deceitful journalistic register of paradoxes of an ordinary week-day in the country of real socialism. There is no unemployment, but no one is working. No one is working but the production is rising. The production is rising, but the shops are empty. The shops are empty, but no one dies of hunger. No one dies of hunger, but everyone is dissatisfied. Everyone is dissatisfied, but everyone votes for.

To refer to the second method on the other hand, the statistic nature, the researcher studying the period of transformation ought to remember about the danger of using the data which do not always reflect the image of the state of contemporary economy. This caution is justified especially while referring to the statistic data of the transition period, i.e. the one from the (not anymore) plan economy and (not yet) market economy. As they differ both in terms of the methods of calculation and the range of presenting the statistical data. So if we assume them only as indicators, we do it only for the purpose of easier specification of the point of reference, or, as others might have it, of going out of the depths of economic collapse. Also to be able to state whether the assumed transformation really took place.

A comparison of statistical data from the first year of transformation in Poland, 1990, with the last, 1989 year of the planned economy there allows for sketching the following image of economic state of the country⁷:

a decrease of GDP by	11,6%
a decrease in real wages <i>per capita</i> by	27,6%
a decrease of industry production sold by	24,2%
the rate of inflation annually ⁸	585,8%

Bringing up such data at this moment is necessary in order to make one realize clearly not as much the contemporary condition (or perhaps it would be better to say, lack of it) of the Polish economy, but the necessity of reanimating it immediately. Also in order to illustrate as ostentatiously as possible the thesis that the communists, while making economic experiments, discounted not only the future, but the future life.

Presenting the condition of the Polish economy herein has one more advantage, namely it dispenses the arduous proving of what manner the economy should be transformed. In contrast to the contemporary economies, Czechoslovakia or Hungary, the reformers of Polish economy could neither refer

7 Rocznik Statystyczny, *Statistical Yearbook of Poland*, Warszawa 1991, pp. 117, 194, 275.

8 Główny Urząd Statystyczny (GUS – Central Statistical Office): <http://www.stat.gov.pl>

to the state's equalized balance of payments or to low inflation in particular. The factors are of major significance for the success of transformation from the macroeconomic point of view. Therefore the dilemma which Polish reformers had to face was reduced not to the choice: shock transformation or gradualistic (gradual) transformation, but the arrangements that need to be performed within the range of the former in order to save the economy of the country from total sinking.

If one should set aside grouping various elements of shock therapy according to their importance or weight authority for the purpose of the course of transformation, then the following calculation needs to be performed:

- introducing the restrictive budget policy, understood here among others as prohibition of subsidizing unprofitable state enterprises,
- exemption of prices (however with the exclusion in the first stage of transformation among others of energy, medicine, rent carriers)
- liquidation of monetary black market through the introduction of a common currency rate market,
- abolition of the monopole of the state in foreign trade and
- initiating privatization of state enterprises.

Like probably no other, the last of the elements of shock therapy mentioned above caused (and still causes) the biggest stir in social emotions. However, if one should set aside from our considerations the matter of abuse, or frauds connected with privatization, then it needs to be added that there is no reason why one should refuse to (re)privatize the rank of one of the most important indicators of the success of transformation. Mainly because, although privatization of trade and small and middle enterprises has been successfully accomplished, still the economy key enterprises - independently from the pace or methods assumed - did not bring expected results. Despite the various methods of privatizing big companies tested in the countries of Mid-Eastern Europe:

- of single unit sales,
- mass privatization a'la the Czech *kuponovka* or its Polish equivalent, certificates of National Investment Fund, or finally
- taking over of the companies on the basis of employee shareholding, or manager contracts,

it turned out that the only effective way of privatizing these enterprises is their capital sale, including foreign investors. The basic barrier for the aforementioned ways turned out to be the lack of capital as well as of the necessary know-how for the purpose of running companies in new economic conditions.

The condition presented above, however, gave birth to two consequences, which need to be emphasized at this moment. The first is ceasing to use the argument of privatization *for* or *against* the shock or gradualistic therapy. Thus none of the countries of this region treads (trod) consequently one or the other path. Therefore, without worrying about making a mistake, one might say that basing on either possibilities or intentions, model for such property transformations was chosen - another consequence - which at the given stage of

transformation best suited either the pragmatics or the ideas of the reformers. It is hardly surprising, though. History has proved cases of transforming capitalistic economy into planned economy. Many a time did history exercise this case. Not the other way round, however.

A real state of the transformation will be better illustrated by the following polling data. 83% of the polled population in Poland is of the opinion that they cannot influence the events in the country⁹. Meanwhile to the question whether the majority can be trusted only 9% answered in the affirmative. The data leads us, following Zdzisław Krasnodębski¹⁰, to the conclusion that transformation, no matter whether spontaneous or consciously constructed (controlled), proceeds on two levels: overt and hidden. To set our attention to the latter, we can refer to the arrangements of Joel S. Hellman¹¹, who summed up the comparable analysis of the results of transformation in the countries of Mid-Eastern Europe and came to a paradoxical conclusion that the groups most interested in stopping the transformation are not at all the lost circles (e.g. the class of manufacturing industry workers or farmer-workers), but the circles of affranchised ex party nomenclature, special operations or managers of central planned economy.

Having agreed with this opinion, it is necessary to complete it with a fact omitted in the literature of the subject, concerning consolidation among new political elites of behaviors from the past epoch. It is thus the only manner of explaining the fact that during 15 years of transformation in Poland around 1500 one-person companies of State Treasury¹² in the place of state enterprises, all of them excluded from privatization processes, because they were political sinecures¹³. And - lets add - no matter what political color. The transitory period is at the same time being conserved by the jungle of around 1700 bills of law being in force in Poland, which regulate the sphere of economic activity. These remarks should not however blur the final conclusion, namely that there is nothing surprising in the fact that as a result of transformation of the form of government business groups arise, vividly interested in holding the transitory period for as long as possible. The only problem is that their negative influence over the past 15 years of transformation cannot be broken¹⁴.

9 Michał Strzeszewski, *Poczucie wpływu na sprawy publiczne*, in: "Komunikat z badań CBOS", Warszawa, 2004, p. 2.

10 Zdzisław Krasnodębski, *Państwo cieni, cień państwa. Katalog błędów założycielskich Trzeciej Rzeczypospolitej*, in: "Fakt" (Europe appendix), 30 June 2004. See also: Andrzej Zybertowicz, *Odwrócone spojrzenie: czy służby specjalne znajdują się na marginesie transformacji ustrojowej?*, in: Mirosław Chałubiński (and others), "Colloquia Communia. Idee i ludzie demokracji", Toruń 2003, pp. 233-249.

11 Joel S. Hellman, *Winners Take All: The Politics of Partial Reform in Postcommunist Transitions*, in: "World Politics", 50, 1998, pp. 203-234.

12 GUS: <http://www.stat.gov.pl>

13 The Ministry of the Treasury informs that, at the end of the year 2005, 430 one-person companies of State Treasury were functioning, at: http://www.msp.gov.pl/index_msp.php?dzial=56&id=774

14 Andrzej Zybertowicz, *AntyRozwojowe Grupy Interesów: Zarys analizy*, in: "Włodzimierz Wesołowski"; J. Włodarek, *Kręgi integracji i rodzaje tożsamości. Polska. Europa. Świat*, Warszawa 2005, p. 312. è un altro libro? non comprensibile, forse manca editore.