

Polish Economics and the Polish Economy: A Study for the Twentieth Anniversary of Transition in Poland

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Abstract:

The anniversary of the launch of transition in Poland is a good opportunity for summarizing the changes that have occurred in Polish economics and the Polish economy over the last twenty years. The author believes that certain processes cannot be understood without providing a broader historical background to them. Therefore, the aim of this paper is to present what the author believes to be the most important trends in the development of the Polish economy and Polish economics not only in the postwar period, but also before World War II. Polish economics and the Polish economy have undergone transformation over two decades of transition. In this period, Polish economists began to adapt their research to major trends of modern economics. A majority of them agreed to the concepts of mainstream economics. The main weakness of Polish economics continues to be the limited number of publications in prestigious English-language periodicals. In effect, Polish economics continues to be little known in the world.

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I Introduction

The year 2009 will witness the twentieth anniversary of Poland's transition from what was previously referred to as socialism and today is known as Communism,¹⁾ to a democratic system with a market economy. The transition anniversary is a good opportunity for summarizing the changes that have taken place in Polish economics and the Polish economy over the last twenty years. The

present author believes that certain processes cannot be understood without providing a broader historical background to them. Therefore, the aim of this paper is to present what the author believes to be the most important trends in the development of the Polish economy and Polish economics not only in the postwar period, but also before World War II.

Interestingly, it is Poland—with its Solidarity movement, Round Table talks between

the authorities and democratic opposition in 1989, and partially-free elections held in the same year—that was at the forefront of transition.

II Polish Economics and the Polish Economy before World War II

Since social and economic transformation is a long-term process, understanding current phenomena without historical analysis is often impossible. In an attempt to understand the Polish transition, distant historical events that restricted the development of Poland's economy and Polish economics must occasionally be focused upon. In particular, it is worth recalling that at the end of the eighteenth century, as a result of numerous partitions, Poland ceased to exist as an independent and integrated political, economic, and social state. In the nineteenth century—a crucial period for the development of economics as a science and the market economy in Europe—owing to Poland's loss of sovereignty and division among Austria, Prussia, and Russia, the Polish society did not participate as an independent body in political and economic life in Poland. In addition, Austria, Prussia, and Russia treated Poland's territory as a peripheral and buffer area.

Such lack of sovereignty also resulted in rather limited opportunities for academic activity. University education in the Polish language existed only in Austrian Poland (Guzicki and Żurawicki 1969, 198). Scientific societies were a substitute for Polish-language academic institutions; some of these societies are surviving to this day. In 1887, despite difficult conditions caused by the lack of political independence, representatives of all three parts of partitioned Poland

held the first congress of lawyers and economists in Cracow—Poland's capital until the 17th century and the main city of the area under Austrian rule. The year 1900 witnessed the publication of the first issue of *Ekonomista*, which continues to be a flagship Polish economic journal even today.

One of the implications of World War I was a radical change in the political map of Europe. In 1918, Poland regained independence. The legacy of the period of partitions included fundamental problems (e.g., three different legal systems, lack of an independent currency, or a uniform banking system) as well as practical difficulties (e.g., the lack of a direct rail link between Warsaw, Poland's capital, and Poznań, the main city of the Great Duchy of Poznań, which encompassed the territory of Prussian Poland). A rather serious threat to the re-emerging state came from the fact that its borders were neither clearly established nor accepted by neighboring countries. Of particular danger were the Russian revolution and the resultant Polish-Soviet war. Another serious problem was the economic consequences of World War I.

However, despite all the above-mentioned problems and threats as well as politically and economically destructive phenomena such as hyperinflation, Poland managed to survive the most difficult initial years of independence and gradually began to develop. A symbol of the new economic era was the currency reform of 1924, which replaced the Polish mark with the zloty that was pegged to gold. In 1929, Poznań hosted the General National Exhibition that presented the economic achievements of the first decade of independent Poland.

The Great Depression had a significant impact on the Polish economy. It is an established fact that Poland's economic crisis began to subside only in 1935; it was a time when the country, faced with an increasing threat from Germany and the Soviet Union, launched its industrialization and economic modernization programs. The outbreak of World War II on September 1, 1939 marked the end of what is now referred to as the Second Republic (the First Republic was the pre-partition "Noble Republic").

The two decades of the interwar period witnessed the development of economic studies in Poland's main academic centers, particularly Warsaw, Cracow, and Poznań, as well as Lvov and Vilnius, which belonged to Poland in the interwar period. These five cities had state universities, the oldest of which was Cracow's Jagiellonian University established in 1364 and the newest was Poznań University founded in 1919. In addition to the five universities, there were also higher schools of commerce, which initially possessed no academic rights.²⁾

In the interwar period, the research areas of Polish economists reflected the main trends in world economics, and were related to the development of the neoclassical—Austrian—and mathematical schools of thought. In this period, the research of Polish economists was also influenced by historicism or Marxism. However, in general, apart from a few scholars, the achievements of that generation of Polish economists could hardly be described as original. However, there were certain notable exceptions, including Adam Krzyżanowski (1873–1963), who was considered to be the main representative of the liberal "Cracow school," influenced by

Austrian school traditions (Spychalski 1999, 305).³⁾ A follower of the Cracow school was Edward Taylor (1884–1965), who moved from Cracow to Poznań and who personifies the Poznań school of economics. Another economist connected to Cracow was Oskar Lange (1904–1965), who was known for his famous dispute with Ludwig von Mises over the rationality of an economy based on the concept of central planning. From Warsaw it is important to mention Aleksy Wakar (1898–1966), Jan Drewnowski (1908–2000) and Edward Lipiński (1888–1986) (Nowicki 1991). Another economist connected to Warsaw was Michał Kalecki (1899–1970), the best-known Polish economist in the world associated above all with Keynesianism.⁴⁾ After World War II, all these economists worked in a country whose official name was the People's Republic of Poland.

III The Polish Economy and Economics in the People's Republic of Poland

One of the consequences of World War II was a political, economic, and military reorganization of Europe. Poland, together with such countries as Bulgaria, Czechoslovakia, Romania, Hungary, and the German Democratic Republic (created in the Soviet occupation zone), became part of the area of Soviet influence. The so-called Yalta order, confirmed at the Potsdam Conference, led to a division of Europe into Western and Eastern parts that would last over forty years (irrespective of the actual geographical location of a given country). Initially, immediately after the war, it was falsely believed that Soviet leaders would settle for a guarantee of friendly neutrality on the part of the above-

mentioned countries, including Poland, rather than impose on them a political and economic system based on the Soviet model.⁵⁾ In the discussion on the transformation that occurred in Poland after World War II, the significant territorial and demographic changes that occurred at the time must be taken into consideration. Geographically, Poland's borders were extended considerably toward the west. On the one hand, the country acquired certain territories that had belonged to the Third Reich before World War II, and on the other hand lost its prewar eastern provinces, which were incorporated into the Soviet Union and now constitute portions of the current Belarus, Lithuania, and Ukraine. As a result of these changes, two old Polish academic centers—in Vilnius and in Lvov—ceased to exist.

In terms of demography, the shifting of Poland's borders resulted in further division of areas populated largely by prewar ethnic minorities: Ukrainians, Belorussians, and Lithuanians. Following the decisions of the Allied superpowers, Germans living in territories that had belonged to the Reich prior to the war were displaced to the then occupation zones. On the other hand, from the areas incorporated into the Soviet Union, Poland received a large influx of repatriates—Poles who had lived for generations in the Eastern borderlands but who had been forced to leave them because of the shifting of Poland's borders. In order to provide a complete picture of Poland's demographic changes, the tragic consequences of the Third Reich's policy of mass extermination of Jews must be mentioned. Prewar Poland was home to the largest Jewish community in Europe. Jews accounted for approximately one-third

of Warsaw's prewar population. Accounting for approximately 10% (3.5 million) of Poland's total population, Jews constituted the country's second largest ethnic minority after Ukrainians.

War and postwar migrations considerably changed the ethnic structure of Poland's population. In prewar Poland, ethnic minorities accounted for a third of the country's citizens; however, currently the figure is only approximately 4%. Among the demographic consequences of World War II, a dramatic reduction in Poland's total population must also be highlighted—34.9 million in 1939 but only 23.9 million in 1946 (38.1 million at the end of 2008).

In economic terms, the consequences of war damage were rather significant. Consequently, merely 27 years after regaining independence in 1918, Poland faced the need to rebuild its economic structure almost from scratch. As has been previously mentioned, initially it appeared that Poland would be able to preserve the status of a country that was at least partially independent of the Soviet Union. However, this period lasted from July 1944—when the Red Army crossed the new Polish–Soviet border on the River Bug and a new Polish government began to reconstruct the country's administration—to the year 1948. It was in these years that the so-called triple-sector economic model was being promoted in Poland. The model was based on the coexistence of the state sector, private sector, and cooperatives. Further, it was decided that certain elements of central planning must be introduced in the economy, which was manifested in the establishment of the Central Planning Office (CUP) headed by well-known economist Czesław Bo-

browski (1904–1996). The CUP developed and supervised the implementation of the Three-Year Plan of Reconstructing the Economy (1947–1949), which was the only successful economic plan in the history of the People's Republic of Poland. Both the concept of three sectors and other projects prepared by the CUP were developed predominantly by economists who were ideologically close to the Polish Socialist Party, which could be described today as social democratic.

A sign of the relative freedom permitted in Poland in the first postwar years was the return of surviving members of the prewar academic community to Polish universities and other higher education institutions. A. Krzyżanowski resumed work at Cracow's Jagiellonian University, and E. Taylor began lecturing in Poznań. Those active in Warsaw included M. Kalecki (who soon moved to the UN), E. Lipiński, A. Wakar, J. Drewnowski, and numerous others.

In December 1948, at a unification congress, the Polish Socialist Party was absorbed by the Polish Workers' Party, which was politically and economically much more pro-Soviet. The unification congress and the creation of the Polish United Workers' Party (PZPR) marked the beginning of the Stalinization of Poland. The country became the Soviet Union's satellite, which was expected to follow Soviet political, social, and economic models. On the economic front, the "battle for trade" of 1947, which dramatically reduced the number of private businesses operating in this sector of the economy, was a harbinger of the new order. However, at the same time the economy suffered a shortage of consumer goods. It was then that Poles

obtained practical experience of a "shortage economy," which was introduced to world economics numerous years later by the Hungarian economist János Kornai.

Stalinism in Poland was a period of intense industrialization that was primarily related to the development of heavy industry and efforts for total nationalization of the economy. The public sector comprised state-owned enterprises and cooperatives. The latter, due to organizational and administrative restrictions imposed on them, were very different from the traditional cooperatives. Therefore, attempts were made to use the concept of cooperative movement to radically change the ownership structure of agriculture. Cooperatives, modeled on the Soviet concept of collective farms, were supposed to eliminate the private sector that was based on family-owned farms. The government was determined to transform Polish agriculture for several reasons. One of them was the fact that people who lived in rural areas accounted for 60% of the population and were very strongly attached to the Catholic Church, which expressed its reserve and criticism with increasing openness toward the government's policy.

However, the policy of collectivization did not produce the desired results.⁶⁾ This fact had crucial implications for the entire period of a centrally-planned economy in Poland because the country preserved a farming model based on private ownership. This distinguished Poland from those countries that maintained rather close economic and political relations with the Soviet Union. Permitting the existence of privately-owned farms did not imply that the authorities accepted the free market. Rather, they imposed

a system of obligatory supplies of farm produce on private farmers, which had to be sold at low prices that were determined by the state. This system was abolished only in 1972.

Further, the Stalinist-period policy of intense industrialization ended in failure. The Six-Year Plan (1949–1955), which emanated of this policy, led to permanent and increasing disproportions in the development of various industries, particularly the favored production of means of production and consumer goods.

In the field of economics, Stalinism in Poland was a period of evident stagnation or even regression. Only “Marxist–Leninist economics” was recognized. Prewar professors were dismissed from universities by being forced to take early retirement. Therefore, the form of official Polish economics was determined by economists who accepted Marxism in its version, imported from the Soviet Union.

At the First Congress of Polish Economists in 1950, Włodzimierz Brus (1921–2007), a former student of M. Kalecki, delivered a program paper entitled “On the state of economic sciences in Poland.” Signed by the young man (29) but believed to have been written collectively by economists who were related with the orthodox portion of the Polish United Workers’ Party, the paper severely criticized the achievements of “bourgeois economics” in Poland (Stankiewicz 2007, 576). At that time, economics education was based on mass reissues of books by authors such as Bronisław Minc (b. 1913) and Adam Schaff (1913–2006). The latter co-authored (with Leon Brum) *Talks on Economics*, which was at that time the most

popular publication used predominantly, although not exclusively, in training courses on Marxism–Leninism.

Due to the lack of freedom for conducting economic research in Poland, certain scholars engaged in the development of only those areas of economics that appeared less sensitive to ideological pressures. For example, it was at that time that Oskar Lange published his textbook *Theory of Statistics* and developed his interest in econometrics and cybernetics.⁷⁾ Another area that appeared ideologically safe was the history of economic thought, which was studied by both E. Lipiński and E. Taylor. Certain scholars, such as E. Lipiński and J. Drewnowski, translated classics of economic literature that included works by Adam Smith, David Ricardo, and John Maynard Keynes whose books usually comprised ideologically acceptable commentary. Moreover, in the 1950s, authors also wrote books without hope of publication, at least until there was a transformation in the political situation. An example is the doctoral dissertation of Wacław Wilczyński (1923–2008), one of the best-known Polish economists today. His dissertation, entitled *Basic Directions in Contemporary Competition Theory* and written under the supervision of Edward Taylor, was defended only in 1959 and published in 1960.

The year 1956 is generally regarded as the end of the Stalinist era in Poland. The tragic events in Poznań in June 1956—when workers’ demonstrations turned into bloody riots—and a peaceful transition of power within the Communist party and government in October 1956 were symbolic events of the year.

The political changes of 1956 created ex-

pectations for the introduction of solutions that were typical of the Yugoslav system in Poland. In this model, which was implemented in former Yugoslavia under Josip Broz Tito, self-management by workers played a significant role. Unfortunately, it was soon revealed that the new authorities, partially comprising former Stalinists, did not intend to accept more significant changes in the political and economic system. Although certain institutions associated with the Stalinist apparatus of repression were dissolved and the state and society became partially open to Western contact, the changes did not actually affect the essence of the system.

Successive five-year plans, which determined the direction of Poland's economic development, basically adopted the principles of the Six-Year Plan. Strong preference was ascribed to industrial development, particularly to heavy- and raw-material industries. The production of consumer goods was considered to be of secondary importance. Moreover, the development of the so-called non-productive sphere was regarded as essential, although not of primary importance. International economic relations were dominated by trade with the Soviet Union. However, an unattainable ideal was the concept of autarchy, which entailed an anti-import preference rather than pro-export production.

In economics, just as in Poland, the post-1956 period was a time of unfulfilled expectations for major changes. Although certain previously dismissed professors returned to their universities and books like the above-mentioned work by W. Wilczyński⁸⁾ were finally published, a significant role continued to be played by economists who were faithful to Marxist–Leninist orthodoxy and

were supported by the authorities. Texts discussing problems of economic growth in a centrally controlled economy, with clear references to Keynesianism and associated mainly with Kalecki's team,⁹⁾ had a rather limited impact on Poland's social and economic policy. Of equal academic interest were research projects conducted by A. Wakar's team, who attempted to analyze the socialist economy using categories related to the general equilibrium theory and Pareto optimum.¹⁰⁾ The intense activity of Wakar's team even gave rise to the term "Wakar school," which is still used today. Moreover, various elements of the quantitative approach to economics were developed in the post-1956 period. Examples of this included works by Zbigniew Czerwiński (b. 1927) of Poznań, Zdzisław Hellwig (b. 1925) of Wrocław, Władysław Welfe (b. 1927) of Łódź, Paweł Sulmicki (1909–1980) of Warsaw, and their teams.

The conflict between old and new in Polish economics in the post-Stalinist era surfaced as early as June 1956 at the Second Congress of Economists. On the one hand, O. Lange, E. Lipiński, and M. Kalecki delivered papers that were rather innovative at that time. On the other hand, certain other economists' speeches indicated that Marxist orthodoxy and dogmatism continued to be strongly represented.

According to certain historians of Polish economic thought, certain papers delivered at the Second Congress of Economists revealed signs of evolution from Marxist–Leninist dogmatism to what would be referred to in the future as revisionism. A good example of this was the speech by W. Brus, the main ideologue of the First Congress of Econo-

mists. Rather than a radical break from Marxist ideology, developing—on the Marxist base—concepts that were more or less critical of the political and economic realities of the time was the main idea. The tension between “orthodox dogmatists” and “revisionists” within Polish economics lasted until 1968, which is another significant year in the country’s history (Stankiewicz 2007, 579–80).

In Europe, 1968 is usually associated with the student revolt in France and the Prague Spring, a period of liberalization in Czechoslovakia that ended with a Warsaw Pact invasion of the country. In Poland, the year 1968 is primarily identified with the “March events.” The student protests that occurred in March 1968 were used by the authorities to launch a witch-hunt against a portion of the intelligentsia, particularly those of Jewish origin. Although the Jewish minority in Poland was no longer a statistically significant group, in the tragic aftermath of World War II, a few people of Jewish origin played an important role in Poland’s political, social, and economic life after 1945. One of the consequences of the “March events” was a forced emigration of a large proportion of people of Jewish origin from Poland. It was because of the “March events” that numerous eminent economists finally left Poland. These included Włodzimierz Brus, who eventually moved to Cambridge University; Kazimierz Łaski (b. 1921), a member of Michał Kalecki’s group, who settled in Austria and became a well-known figure in the country’s economic circles; and Ignacy Sachs (b. 1927), who is currently considered a Polish-French economist. M. Kalecki himself was forced to take

premature retirement. Edward Łukawer (1920–2007), one of the best historians of economic thought in Poland, was dismissed from the Cracow University of Economics.¹¹⁾ Under the guise of providing career opportunities for young and talented academics, the higher education act was amended in a manner that made it possible to promote people without requisite or formally confirmed academic achievements. In most cases, this amendment was used to help those who held political views that were accepted by the authorities.

It must be added that, in the same year of 1968, Hungary launched an economic reform that involved a partial departure from the principles of a command economy toward market-oriented solutions, even if these were rather limited. Moreover, Czechoslovakia—despite the suppression of its political reform through the Warsaw Pact invasion—continued a policy of improvement of the economy much more effectively than was done in Poland, particularly as far as the availability of consumer goods in the market was concerned.

In December 1970, increasing economic problems caused further social unrest, which led to the tragic events in Gdańsk, Elbląg, and Szczecin where protest demonstrations by workers were bloodily suppressed by authorities. However, the revolt led to changes in the Communist party leadership and government and revived hopes that Poland—although remaining within the Eastern bloc for geopolitical reasons—could adopt a less orthodox system than that in the Soviet Union.

The new authorities decided to radically transform Poland’s economic situation by opening-up its economy to the world, partic-

ularly to highly developed countries with free-market economies. Technologies bought on credit and credit-based investment projects were expected to lead to a great leap toward economic development. Consequently, the import and production of consumer goods increased. Poles enjoyed greater freedom to travel abroad than citizens of other East European countries. However, it was soon revealed that in a system based on the concept of political monopoly, the limits of economic reforms are ruthlessly determined by transformations and decisions made in the political sphere.

Successive advisory committees composed of economists and designed to support the government in economic transformation met with a refusal to accept almost anything that was remotely associated with extensive economic decentralization and an increased role of classical, i.e., free-market, economic mechanisms. An example of this was the establishment of "Large Economic Organizations" (WOGs). Modeled on large concerns, these companies or groups of companies were designed to operate using parametric instruments rather than tools typical of a command-economy system. However, instead of being instruments for economic modernization, WOGs became a symbol of Polish economic problems due to lack of determination combined with inherent features of the system. Acting as monopolists who did not face competitive pressure, WOGs often defied economic logic: On the one hand, they maximized costs, on the basis of which profits (defined as percentage of costs) were determined; on the other hand, they minimized benefits, particularly in the qualitative aspects.

In the mid-1970s, Poland was burdened with an ever-increasing debt, which was not being handled effectively. In 1976, the government announced that it would be conducting an "economic manoeuvre," a policy of austerity in investment and consumption. Thereafter, growing social discontent caused the worker protests of June 1976, the nationwide strikes of August 1980, and the birth of Solidarity—an independent trade union headed by Lech Wałęsa.

In economics, the years 1971–1980 witnessed the publication of certain texts that encouraged economic reforms; however, in the same period the position of economists whose views were hostile to anything that was associated with the free market and economic calculation continued to remain rather strong. It is worth noting that one of the consequences of Poland's considerable (in relation to other East European countries) openness to the West was that a relatively large number of Polish economists maintained relations with colleagues in countries with market economies. Moreover, although the relevance of the knowledge and experience gained in this manner was rather limited in Poland during that period, it proved extremely useful in the initial years of the country's transition.

In the discussion of academic achievements in the 1970s in Poland, the work of economists from the circle of Jan Mújžel (1923–2006) and Cezary Józefiak (1932–2007) in Łódź¹²⁾ must be mentioned. A large group of economists who became leading figures of the political scene in the transition period belonged to the city of Łódź.¹³⁾ Equally interesting and far from Marxist orthodoxy were studies conducted in

other academic centers. In order to illustrate the political realities of that time, a widely-discussed work by Władysław Balicki (b. 1941),¹⁴⁾ a student of W. Wilczyński in Poznań must be mentioned. A small number of copies of the book were published by a research institute, which made them practically unavailable to the general reader (Grzelońska 2006, 56). This was a typical example of the authorities' policy: neither banning nor encouraging the publication of studies whose results were perceived as uncomfortable or controversial. Warsaw was a particularly active academic center. In this context, the team headed by Janusz Beksiak (b. 1929) that continued the "Wakar school" tradition¹⁵⁾ is worthy of special mention.

However, the Polish Spring of Solidarity did not last very long. In December 1981, the authorities imposed martial law, which still arouses strong emotions and has created divisions within Polish society. There is a continuing dispute among historians with regard to whether and to what extent martial law was inevitable in Poland's geopolitical situation at that time, and whether there was actually a danger of Soviet invasion. The period of martial law, lifted in July 1983, and the years immediately after it represented a period of an almost total economic disintegration. Poland was an extreme example of a shortage economy; the ration coupon system was universal. A team headed by Władysław Baka (b. 1936),¹⁶⁾ a well-known economist, developed principles of economic reform. The main concept was to gradually introduce mechanisms typical of a market economy, such as prices determined by demand and supply or the possibility of a company's bankruptcy for economic reasons.

Further, serious long-standing economic problems on the one hand and the beginning of *perestroika* in the Soviet Union on the other encouraged the Polish authorities to initiate the second stage of economic reform. Officially, it was never implemented because of an insufficient social support expressed in the form of a national referendum. However, certain ideas of the reforms were implemented, and the most important among them was the economic activity act that was passed in December 1988 and popularly referred to (after its main author) as the Wilczek act. The law, which introduced considerable economic freedom, even today is believed to be a piece of simple but effective legislation. It was the Wilczek act that triggered an upsurge of private entrepreneurship in Poland. This was one of the last events in the economic history of the People's Republic of Poland.

February 1989 witnessed the beginning of the Round Table talks. As a result of these talks, members of the democratic opposition were permitted to participate in the governance of the country. The successive stages of the process initiated by the Round Table talks—the June 1989 election and the formation of a government headed by former dissident Tadeusz Mazowiecki in August 1989—marked the beginning of what is commonly referred to as transition in Poland.

Poland's economy inherited an enormous debt from the Communist era; this was completely incompatible with the requirements of a market economy that is part of the world economy. The Polish economy was on the verge of collapse. In 1988, the CPI inflation rate was over 60%, and in 1989 it became over 250%. In 1989, economic growth was

0.2%. The distance, expressed in terms of GDP per capita, between Poland and better-developed countries, grew considerably instead of decreasing.

Thus, Polish economics carried the stigma of marginalization in mainstream world economics. An illustration of this was that in world economics the two figures most closely associated with Poland continued to be the long-deceased O. Lange and M. Kalecki. Fortunately, as has been mentioned earlier, a relatively large proportion of particularly younger economists remained in close touch with Western economics, which enabled them to use their knowledge and experience in the new political situation. A symbolic figure in this group was Leszek Balcerowicz (b. 1947) of the Warsaw School of Economics; he lent his name to the economic program that was implemented in the initial years of transition.

IV Transition in Poland and its Consequences

Transition in Poland encompassed three basic spheres: economic, political, and social. In the economic sphere, the essence of transformation is a transition from a centrally planned to a market economy. In the political sphere, transition implies a shift from an authoritarian, or even totalitarian, system to a democratic one. Finally, in the social sphere, transition comprises changing a society that is based on imposed collectivism into one in which a significant role is played by individual activity.

As has been mentioned earlier, in the economic sphere (which is of particular interest in this paper) the beginning of transition is associated with the Balcerowicz Plan.

Prepared by a team headed by L. Balcerowicz¹⁷⁾ within a mere 111 days, this package of ten bills marked a radical change in the Polish economic system. The plan proved to be rather effective, at least in the battle against visible signs of hyperinflation (a CPI growth of almost 586% in 1990). Positive changes occurred promptly in the country's economic structure; moreover, the government budget was in surplus. The rate of economic growth accelerated, overtaking numerous other countries also undergoing transition, and reached a rather high level of +5.4% in 1993 (in contrast, in 1990 the rate was -9.7%). However, for the general public, the symbols of the Balcerowicz Plan have always been inevitable bankruptcies of state-owned enterprises and a considerable rise in unemployment. Unemployment, practically unknown in a planned economy, began to soar, exceeding 16% in 1993. Undoubtedly, the Balcerowicz Plan was partially modeled on the concepts forwarded in the Washington Consensus. At the beginning of transition in Eastern Europe, this set of rules designed to help crisis-wracked developing countries was treated as a universal prescription.

In Poland, the Balcerowicz Plan continues to cause major disputes, particularly over whether there was no alternative to it or whether its high social costs were actually inevitable. Today, the attitude toward the Balcerowicz Plan remains a cause of the division among Polish economists: those who are perceived as representatives of the liberal or neo-liberal approach, and those who more or less directly subscribe to the concepts of government interventionism or social liberalism. Leading supporters of shock therapy in-

volving a rapid market-based transition included—apart from L. Balcerowicz—the late W. Wilczyński, Jan Winiecki, and numerous members of the Society of Polish Economists and the Adam Smith Centre. The most well-known protagonist of L. Balcerowicz approach is Grzegorz Kołodko (b. 1949), who—like his main opponent—combined research activity with government work as Vice-Premier and Minister of Finance (in the periods 1994–1997 and 2002–2003).¹⁸⁾ Other names within this camp include Zdzisław Sadowski (b. 1925), who remained President of the Polish Economic Society, the largest organization of its kind, for numerous years; Jerzy Osiatyński (b. 1941), known, among other things, for his popularization of Kalecki's ideas; Tadeusz Kowalik (b. 1926), one of the best experts on the history of economic thought in Poland. Both camps won the support of a few Polish economists who either returned from emigration at the beginning of the transformation period or attempted to play a more active part in Poland while continuing to live abroad.¹⁹⁾

As early as 1993, growing social discontent associated with social costs of the reform and the instability in the political sphere enabled a coalition of parties with roots in the Communist period to assume power again. The largest proportion of the electoral vote was obtained by the Democratic Left Alliance (SLD), a left-wing party that was comprised of former members of the Communist party (PZPR)—particularly its more liberal fraction—and the Polish Peasants Party (PSL), which partially continued the tradition of the United Peasants Party (ZSL). ZSL was one of the two satellite parties that could act legally in the Peo-

ple's Republic of Poland (the other party being the Communist party). The years of the SLD–PSL coalition are difficult to evaluate in simple terms. On the one hand, fears that the coalition may attempt to restore the pre-transformation order did not become a reality. On the other hand, although Poland enjoyed a relatively high rate of economic growth at the time, numerous difficult reform-related decisions were avoided, particularly regarding welfare spending.

An attempt at social reform was made by the next coalition government between the Solidarity Electoral Action (AWS) and the Freedom Union (UW), which came to power after the 1997 election. Thereafter, following the breakup of the coalition, a minority AWS government introduced a legislation package that reformed, albeit insufficiently, welfare spending. On account of its close ties with the Solidarity trade union, it was rather difficult for the government to implement more radical reforms.

The SLD–PSL coalition returned to power in the 2001 election; after the breakup of this coalition, SLD formed a minority government. The main achievements of that period include the conclusion of Poland's EU accession negotiations and joining the EU (May 1, 2004). Apart from adopting a new Polish constitution in 1997²⁰⁾ and joining NATO in 1999, this was one of the most important events in the history of Polish transformation.

Unfortunately, the public associated the SLD government with various negative phenomena that were symptoms of what is called a weak state and peripheral capitalism. In 2005, under the banner of a radical restructuring of the state, power was assumed

by the coalition government of the Law and Justice party (PiS) and two smaller coalition partners. The main aim was to build a "Fourth Republic" which, in terms of ethical and moral standards, was to be superior to the Third Republic, a product of the transition period. In economic terms, Fourth Republic ideologues made rather explicit references to the statist concept.²¹⁾

Due to the difficulties of maintaining the coalition, an early election was called in 2007; as a result of this, the Civic Platform Party (PO) and the Polish Peasants Party (PSL) assumed power. PO, the senior coalition partner, is a center-right party that is economically liberal and moderately conservative in social and moral matters.

In order to recapitulate this brief description of Polish politics since the beginning of transition, the instability and volatility, understandable in a young democracy, of the country's political scene must be emphasized. Some of the parties that formed coalition governments in the past (AWS, UW) no longer exist; others have lost much of their popular support (SLD). Although political instability is not conducive to economic development, there is no doubt that none of the governments has taken action to evidently undermine the principles of a market economy. Poland is classified as a country that continues to possess an unsatisfactory level of economic freedom with a relatively high (for European standards) level of corruption. However, at the same time it is a country that is visibly reducing its distance from better-developed countries. Although unemployment in Poland has been increasing recently (11.0% at the end of October 2009), it continues to be much lower than in

February 2003, when it peaked at 20.7%. Further, Poland is one of the few European countries that have a chance of escaping recession in 2009.

Polish economics has transformed over the two decades of transition, just as the Polish economy has. It is worth noting that at the beginning of the transition period, certain people suggested a radical break with the traditions of the previous system. This would have involved invalidating academic degrees and titles awarded in the Communist era, or at least in re-verifying them with the help of invited Western economists; however, eventually, nothing of this kind happened. Moreover, there was no change in academic staff, for example by imposing premature retirement onto those whose entire academic careers had been formed in the People's Republic of Poland. When the Law and Justice party was in power, an attempt was made to conduct lustration, i.e., to disclose the names of people, including those in academic circles, who had cooperated with the Communist secret police. However, this idea did not materialize completely.

The lack of implementation of various radical initiatives against the academic community since the beginning of transition can be partially explained by a greater liberal line of thought after 1956 in Poland as compared with some other East European countries. Owing to this relative liberalism, there were rather few economists or other members of the academic community (even if they were very influential figures) who supported the orthodox or dogmatic versions of Marxism. In Poland—unlike in the Soviet Union—it was not obligatory to quote Marx, Lenin, or the current First Secretary of the

Communist party in almost every economic publication. Consequently, a large proportion of Polish economists were those whose research was characterized by a relatively low level of ideological contamination.

The beginning of transition in Poland brought about a radical change in economic curricula. Fundamental subjects, such as political economy of socialism and capitalism, were replaced with macroeconomics and microeconomics. Polish economists began to adapt their research to major trends of modern economics. A majority of them subscribes to the ideas of what is known as mainstream economics, although recent years have witnessed an increased popularity of various types of institutional and behavioral economics. The weakness of Polish economics continues to be the limited number of publications in prestigious English-language periodicals. In effect, Polish economics continues to be little known in the world. As has been mentioned earlier, the academic community still identifies Polish economics with names such as O. Lange and M. Kalecki. However, the increasing international activity of younger Polish economists raises hopes that in the near future Polish economics will be associated with the achievements of a much larger number of economists.

V Conclusion

The aim of the present article that describes the development of the Polish economy and Polish economics was not to conduct a detailed analysis of hard statistical data or present the achievements of particular scholars. Instead, the author attempted to familiarize the reader with the complexity of the Polish developmental path and its ensuing

consequences.

Both the Polish economy and Polish economics would probably have been at a different developmental stage today, had the Polish state managed to avoid its fate as early as the eighteenth century, when the country was partitioned, had the world not fought two world wars in such a short period of time, and had World War II not led to a world divided by the Iron Curtain. On the other hand, given the country's complex situation, it must be stated that the entire period of two decades of transition analyzed here have produced very positive results.

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Notes

- 1) A discussion of the complexities and evolution of political and economic terminology used in Poland in the years 1945–1989 is beyond the scope of this paper. As mentioned above, according to official terminology, Poland's political system of that time was referred to as socialism. The system was considered to be a transitional stage that preceded the emergence of a Communist system at an unspecified time in the future. It must also be remembered that the word "communism" was not included in the name of the ruling party, which enjoyed complete political monopoly. The organization's name was the Polish United Workers' Party (PZPR). Various names were used to refer to the economic system, the most common one being "centrally-planned economy."
- 2) In this context, schools of commerce such in Cracow, Poznań, and Warsaw, respectively, must be mentioned. All these privately owned institutions were nationalized several years after World War II. Today, they are Poland's leading economic research and edu-

- cation centers with a university status. Apart from these three, there are universities of economics in Wrocław and Katowice, faculties of economics in various other academic institutions, and a large number of mostly privately-owned higher schools of economics that were established after 1989.
- 3) It was at the Jagiellonian University that Carl Menger, an eminent representative of the Austrian school, obtained a doctoral degree in law.
 - 4) Michał Kalecki gained international recognition in 1937 for publishing *A Theory of the Business Cycle*. It was an expanded English-language version of his earlier work published in Polish in 1933. At that time, Kalecki was working for the Institute of Studies of Economic Conditions and Prices, which was established on the initiative of Edward Lipiński and contributed enormously to the development of economic research in Poland. An indication of Kalecki's position was the fact that he was shortlisted for The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, which has been awarded since 1969. It is supposed that had it not been for his untimely death, Kalecki would have won the prize.
 - 5) The concept was close to what was commonly referred to as Finlandization. Although it was perceived by Soviet leaders as an enemy country (the Soviet–Finnish war, then World War II), Finland, which bordered the Soviet Union, managed to remain, politically and economically, part of the Western world. However, Finland had to pay the price for this through various concessions related to the status of a neutral country that avoided any action that could be perceived as anti-Soviet.
 - 6) It must be indicated that resistance to the collectivization of agriculture in Poland was caused, among other things, by the fact that only a few years earlier in September 1944 land was parceled out among landless, small, and medium-sized farmers on the basis of a land reform decree.
 - 7) Only in 1959, after the end of Stalinism, Oskar Lange was permitted to publish the first volume of *Ekonomia Polityczna (Political Economy)*, which is considered to be his main work. Its unfinished second volume was published only posthumously. The book, full of departures from Marxist–Leninist orthodoxy, was a subject of numerous disputes and debates. Further, Lange's *Całość i Rozwój w Świetle Cybernetyki (Totality and Development in the Light of Cybernetics)* (1962) was one of the first books on cybernetics and systems theory to be published in the Communist bloc.
 - 8) What was even more unacceptable for adherents of Marxist orthodoxy was Wilczyński's next book, *Rachunek Ekonomiczny a Mechanizm Rynkowy (Economic Calculation and the Market Mechanism)* (1965). This title itself suggested that the author was referring to the officially rejected concept of market regulation.
 - 9) Of special significance was Kalecki's *Zarys Teorii Wzrostu Gospodarki Socjalistycznej (An Outline Theory of the Growth of the Socialist Economy)* (1963).
 - 10) Two examples are *Morfologia Bodźców Ekonomicznych (Morphology of Incentives)* (1963), of which Wakar was the author, and *Zarys Teorii Gospodarki Socjalistycznej (An Outline Theory of the Socialist Economy)* (1965), of which he was the editor.
 - 11) Łukawer's last, posthumous, publication was a book on the development of Polish economic thought, entitled *O Tych z Najwyższej Półki, Czyli Rzecz w Sprawie Naszego Środowiska Ekonomicznego (On Those from the Top Shelf, or a Piece on Our Community of Economists)* (2009).
 - 12) Among other things, the two economists co-authored a widely discussed monograph,

- Reprodukcja w Gospodarce Socjalistycznej* (*Reproduction in a Socialist Economy*) (1974).
- 13) Examples include Marek Belka (b. 1952), Minister of Finance, then Prime Minister in 2004–2005; Jarosław Bauc (b. 1957), Minister of Finance in the period 2000–2001; and Jerzy Kropiwnicki (b. 1945), who occupied various ministerial posts in 1991–1993.
 - 14) *Zarys teorii nierównowagi popytowej* (*An Outline Theory of Demand Disequilibrium*) (1979) was compared to the works of J. Kornai, the best-known East European economist in the West. Further, it must be noted that *Shortage Economy*, Kornai's flagship work, was published in Poland under a more euphemistic title—*Niedobór w Gospodarce* (*Shortage in Economy*) (1985).
 - 15) *Równowaga Gospodarcza w Socjalizmie* (*Economic Equilibrium in Socialism*), co-authored by Urszula Libura (now Grzełowska) and published for the first time in 1969 was a book that sparked off a particularly intense debate.
 - 16) Baka also co-chaired the economy work-group as a representative of the government during the Polish Round Table talks, which precipitated systemic transformation in Poland. The other co-chairperson of the work-group was Polish economist Witold Trzeciakowski (1926–2004), a representative of the opposition.
 - 17) Balcerowicz, an economist of the Warsaw School of Economics, was Vice-Premier and Minister of Finance in Mazowiecki's government (1989–1991). He held the same posts in the period 1997–2000; Further, in the period 2001–2007, he was Governor of the National Bank of Poland. Balcerowicz presented a synthesis of his views on transformation and economic principles in *Socjalizm, kapitalizm, transformacja* (*Socialism, Capitalism, Transition*) (1997) (the title is an explicit reference to Jozef Schumpeter's famous *Capitalism, Socialism, Democracy*), *Wolność i Rozwój: Ekonomia Wolnego Rynku* (*Freedom and Development: The Economics of a Free Market*) (1998), and *Państwo w Przebudowie* (*The State under Reconstruction*) (1999).
 - 18) A few examples of Kołodko's numerous publications are *Transformacja Polskiej Gospodarki: Sukces czy Porażka?* (*The Transformation of the Polish Economy: A Success or a Failure?*) (1992) and *Kwadratura pięciokąta: Od Załamania Gospodarczego do Trwałego Wzrostu* (*Squaring the Pentagon: From Output Collapse to Sustained Growth*) (1993). A lively debate accompanied the 2008 publication of *Wędrujący Świat* (*World on the Move*), a book that presented a synthesis of the author's views on the economic phenomena in today's world and more.
 - 19) Those who returned to Poland included Stanisław Gomułka (b. 1944) from London School of Economics; he was perceived as a committed supporter of the Balcerowicz Plan. Moreover, I. Sachs and J. Drewnowski reappeared on the Polish economic scene. The year 1992 witnessed the publication of the book *Od Marksa do Rynku* (*From Marx to the Market*) by W. Brus and K. Łaski, in which the authors re-evaluate the concept of the so-called socialist market economy.
 - 20) It is worth noting that clause 20 of the Constitution describes the Polish economic system as a social market economy. Historians of economic thought immediately associate it with the concepts of German Ordoliberalism and the postwar West German economy. However, this clause in the Polish constitution can barely be treated as a simple continuation of that tradition.
 - 21) The officially used numbering of successive republics omits the People's Republic of Poland. The years of the reign of the People's Republic of Poland are treated as a period

which, together with World War II, separates the Second Republic (established in 1918) from the Third Republic (1989).

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