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DETERMINANTS OF A SYSTEM TRANSFORMATION FROM PERSPECTIVE OF POLISH EXPERIENCES IN 1989

Believing in words of the Roman poet Ovidius, *omnia mutantur, nihil interit*, it ought to be assumed that although after 1989 everything has changed in the Polish economic policy, nothing has been lost (in terms of old policy). Meanwhile it is not so. The best example herein is one of the main institutions of economic life of the country which is its central bank. The old facade, although it would be better to say the name of the National Bank of Poland, carries contents much more different from the ones from before the year 1989. This phenomenon might not be worth any particular attention, if it was not for the fact that the central bank is claimed, in terms of market economy, as one of the most important centers forming the monetary policy and, what follows, the policy of state's economy.

Our attention needs to be focused on NBP also because of the fact that it has undergone a substantial transformation like no other institution of the old order. A transformation not only in terms of rules of functioning, organizational framework, or finally its aims, but also in terms of the status towards the executive power. From the tool in the hands of the Ministry of Finance in the planned economy Polish central bank has become the institution which, according to the constitution's provision, „(...) It shall have the exclusive right to issue money as well as to formulate and implement monetary policy”^[1]. Even claiming that this change cannot be recognized as sufficient in achieving success in the transformation of planned economy into market economy, it cannot be denied that this very step has symbolic meaning as one of the most important economic-political criterion of changes in our country.

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

¹ [1] See also: article 227 paragraph 1 of the Constitution of the Republic of Poland, [in:] The Journal of Laws of the Republic of Poland [Dziennik Ustaw, Dz.U.] 1997, no. 78, item 483, <https://www.sejm.gov.pl/prawo/konst/angielski/kon1.htm>

culturally in the West and politically in the East of Europe² 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. And even apart from the fact 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 the socio-political-economic 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 perceived 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 frames, but to discover impulses, barriers, and finally 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 experiences of Central-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.

The description of conditions of external transformations in Central-Eastern Europe after the year 1989 is not fulfilled without any mention of those, who are 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 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 Królewiec on the northern border

² Milan Kundera, *The Tragedy of Central Europe*, [in:] Gale Stokes (eds.), *From Stalinism to Pluralism. A Documentary History of Eastern Europe since 1945*, New York-Oxford 1991, pp. 217-223.

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.

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 sovereignty exercised collectively³.

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 identity⁴, also gain significance. These two antagonistic evolutionary tendencies, integration and fragmentation, in the world-view 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 from national states, ranging from international corporations to over national political-economic groups⁵.

Nevertheless, irrespectively from the presented, one might say, general international evolutionary tendencies, on the basis of the Central-Eastern Europe countries, as a result of transformational processes, we can observe the emergence of distinct differentiation in the inner socio-economic 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.

However, considering the experiences of all Central-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 in case 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.

³ Włodzimierz Anioł, *Państwo postsuwerenne? Rozproszenie władzy w środowisku międzynarodowym*, [in:] *Sprawy Międzynarodowe* no. 4 (2000), pp. 12-13.

⁴ James N. Rosenau, *Along the Domestic-Foreign Frontier: Exploring Governance in a Turbulent World*, Cambridge 1997, pp. 99-117.

⁵ James N. Rosenau, *op. cit.*, pp. 43-44.

It was the result of unstable economic policy on 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 these criteria⁶ 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 compliance with the human rights,
- efficient functioning of the market economy, able to bear the rules of free competition,
- the ability to acquire the Union *acquis communautaire* into 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 1994 with reference to Poland, responded that it lasted as long as the existence of communism in the country⁷. 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 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.

⁶ Archiv der Gegenwart no. 12 (1993), pp. 37973-37974.

⁷ Peter Friedrich / Jan W. Tkaczyński (Hrsg.), *Auslandsinvestitionen in Polen*, Berlin-Wien 1995, p. 15.

While attempting to describe the „0” 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.

On the other hand referring to the second method, 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 country⁸:

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 ⁹	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 not refer neither 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 what

⁸ Rocznik Statystyczny 1991 [Statistical Yearbook of Poland], Warszawa 1991, pp. 117, 194, 275.

⁹ Główny Urząd Statystyczny [GUS – Central Statistical Office]: http://www.stat.gov.pl/dane_spol-gosp/ceny_handel_uslugi/wskazniki_inflacja/wsk_c_50-05.htm

needs 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 non-rental 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 Central-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, spawn 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 (treaded) 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, however. History has proved cases of transforming capitalistic economy into planned economy. Several times history exercised such case. However, never on the way round.

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ABSTRACT

Comparative analysis as a research method to study the process of system transformation in the countries of Central-Eastern Europe often overlooks the fact that the transition from market economy to planned economy was effected in this part of the continent more than once after 1945.

The aim of the paper is to recall and specify the research problem of a reverse phenomenon, namely transition from the omnipotence of the state in economy to consent to the operation of the market laws.

The main hypothesis is that Poland can justifiably be considered not only a forerunner of such changes (which is a distinction in its own right), but first and foremost the laboratory guinea pig (not a very gratifying status). Regardless of how one assesses either of the above prospects, one thing is beyond doubt: the impact of external factors on the course of the transformation.

Working hypotheses show which of these factors, in what order and scale can be judged essential for a successful transformation. This is still an object of controversies even after almost thirty years since the beginning of transformation in our part of Europe.



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Kolejne specjalne wydanie czasopisma Instytutu Zachodniego w języku angielskim zawiera artykuły, które stanowią wybór z całorocznej edycji pisma w 2017 r. dokonany z myślą o odbiorcy obcojęzycznym. Przyświecał mu zamiar przekrojowego ukazania problematyki podejmowanej na łamach tego interdyscyplinarnego kwartalnika. W niemal 75-letniej historii pisma niezmiennie splatają się problemy przeszłości i współczesności Polski, Niemiec, relacji polsko-niemieckich, Europy wraz z toczącymi się w niej procesami integracji, ale także konfliktami i napięciami, wreszcie i problemy globalne, których nie sposób pominąć w dogłębnych studiach współczesnej politologii, ekonomii, analizach życia społecznego i historiografii narodów.

W pierwszej części antologii artykuły odnoszą się do spraw Europy oraz doświadczeń poszczególnych jej państw, a spajają je wątki aktualnie dokonujących się procesów i nowych zjawisk.

Druga część prezentowanego tomu ukazuje studia i opracowania historyczne. zainspirowane przede wszystkim jubileuszem 500-lecia Reformacji.

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