

REFORMS IN POLAND – OPINIONS AND FACTS

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Abstract

In this paper we show that all attempts at major economic reforms introduced in Poland since the 1980s have incurred negative reactions on the part of large social groups (strikes, lack of support for the political forces which prepared and introduced reforms). We try to determine if such reactions are justified and whether there are serious arguments for them. We come to the conclusion that there were serious reasons for distrust and dislike of reforms. The main one involves the discrepancy between the declared goals and the assumed effects of reforms, and the actual effects felt by the public.

Two issues will be presented: 1) to what extent are social feelings influenced by the demanding attitude of the public and its immaturity, which impede understanding of the need to reform the economy, 2) the inability of political elites to correctly formulate goals, identify the means of their implementation, and act effectively.

The experience so far has made the political elites less and less interested in introducing serious reforms, which is manifested in the preference for a policy of providing basic utilities or relying on economic programs on the budgetary revenue generated by rising taxation.

POLSKIE REFORMY W ŚWIETLE FAKTÓW I OPINII

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Słowa kluczowe: transformacja systemowa, reformy gospodarcze, liberalizm rynkowy, system nakazowo-rozdzielczy.

Abstrakt

W artykule pokazano, że wszystkie próby znaczących reform gospodarczych wprowadzanych w Polsce od lat 80. wywoływały negatywne reakcje dużych grup społecznych (m.in. strajki, brak poparcia dla sił politycznych, które przygotowywały i wprowadzały reformy). Próbowano ustalić, czy takie reakcje są zasadne i czy można znaleźć poważne argumenty na ich poparcie. Wyciągnięto wnioski, że występowały poważne przyczyny tłumaczące nieufność i niechęć wobec reform. Jako główną można uznać rozdzwięk między deklarowanymi celami i zakładanymi efektami reform a rzeczywistością odczuwalnymi przez społeczeństwo skutkami.

Przedstawiono też dwie kwestie: 1) odpowiedź na pytanie, w jakim stopniu na odczucia społeczne wpływa roszczeniowość społeczeństwa i jego niedojrzałość, utrudniające zrozumienie konieczności reformowania gospodarki, oraz 2) niezdolność elit politycznych do prawidłowego formułowania celów, doboru środków ich realizacji i skutecznego działania. Dotychczasowe doświadczenia powodują, że elity polityczne coraz mniej są zainteresowane wprowadzaniem poważnych reform, czego wyrazem jest m.in. preferowanie polityki zapewniającej „ciepłą wodę w kranie”, czy opieranie programów gospodarczych na dochodach budżetowych uzyskiwanych z rosnącej ściążalności podatków.

Introduction

The aim of the article is to evaluate selected reforms (not only economic) which were implemented in Poland during the period 1988–2017. This evaluation is based on the analysis of facts associated with these reforms, different assessments and views formulated in scientific and opinion-forming institutions, as well as available statistics.

This article also attempts to answer the question whether Polish society (or at least a large part of it) is averse to economic reforms, and if so, what are the reasons for the aversion¹. The answer may not only be cognitive but also practical, for future economic policy.

As reforms, we treat important changes in the economic system, including narrowly understood institutional arrangements, decision-making powers, and methods and tools of economic policy. These changes should accelerate the growth of production factors and contribute to their more efficient use to better meet the needs of society.

It is understandable that in the modern economy such changes are made by the state. Depending on the existing political system, the process of initiating, preparing and implementing changes varies. Where political power is monocentric and a centrally planned economy dominates, the processes of adjustment to changing conditions is generally difficult, because doctrinal constraints tend to accumulate irregularities and do not give rise to optimal solutions.

¹ We are not dealing with the question of whether aversion to reforms is a manifestation of populism, although such a relationship is likely to occur. Hence, we do not want to expand the analysis excessively. We treat the concept of populism as conceived by LACLAU (1989).

Attempts to reform the centrally planned economy

In Poland, the problems with the implementation of centrally laid out plans were most often borne by the society on which the effects of system failure were shifted. This has become evident by the need to reduce the real incomes of basic groups of society, occurring every now and then. As a rule, this was achieved by introducing incremental increases in consumer prices, frequently presented by the authorities as the reforms necessary and beneficial for society. Such acts from political and state authorities led to violent social protests. It was so in June 1956 (Poznań), December 1970 on the coast, June 1976 in Radom, Ursus and Płock, and in August 1980 on the coast. A belief persisted in the social consciousness that political and state authorities were not interested in genuine reforms, but only in abstract changes, which preserved an otherwise inefficient system, without the possibility of a satisfactory increase in consumption.

The shock for the ruling party, the Polish United Workers Party (PZPR), included the events that followed in 1980–1981; in particular the creation of the Solidarity movement. This made it clear for some leading officials that the introduction of serious (but doctrinally limited) reforms is inevitable and even desirable in order to avoid an uncontrolled process of losing economic and political power. Cautious and limited attempts at change began in 1982. This was evidenced by the Law on State-Owned Enterprises (September 1982) giving the enterprises far-reaching freedom of action. The Law introduced a strong employee self-government, which had (formally) the right to appoint a director and deprived, in practice, the superior institutions of the possibility of addressing individual orders to enterprises concerning individual entities². After this change, the system had to a large extent lost its commanding nature³. Enterprises had become increasingly independent of the control and pressure of the ruling party, whose influence on the economy was declining. The influence of overriding institutions of state power was also declining. The processes taking place in the economy began to be spontaneous and were increasingly difficult to control.

In the 1980s, the then authorities made numerous attempts to carry out limited reforms aimed primarily at increasing the efficiency of the economy. Their positive effects, however, were small. The economy had increasingly lost its ability to develop, among others due to public distrust and a lack of support for changes. This was reflected in 1987 by the results of a referendum that was unfavorable for the ruling party, in which the society was to say whether they wanted radical, healing reforms. The response (with low attendance) was

² This law allows the use of individual orders (with full compensation for possible losses in this respect) only in three cases: defense needs, natural disasters and the need to comply with international agreements. In practice, such interference was avoided.

³ The scope of central distribution had also decreased. The percentage of centrally distributed materials dropped from 90% in 1978 to 35% in 1987.

negative. The ruling party then recognized that the situation was becoming unpredictable and dangerous, so it was necessary to take corrective measures and even change the foundations of the existing socio-economic system.

In 1988, the last government (with Prime Minister Mieczysław Rakowski) representing the then socio-economic system introduced several solutions which soon made it easier (at the end of 1989) to move Poland to a market economy. At this stage, one should mention the following:

– the privatization of state property launched in 1988, mainly intended to grant property rights to people forming the core of the nomenclature⁴, which was to encourage them to support such radical changes and secure a good position in the new system. But this had reaffirmed the belief in society that the ruling elites would take over (almost for free) the property produced by all working citizens;

– adoption at the end of 1988 of the so-called Wilczek's⁵ Act on running a business. This law was revolutionary. It equalized the various property sectors, drastically limited state interference (deregulation – acknowledging that anything, which is not prohibited is acceptable). Up to now, many entrepreneurs, economists and politicians believe that this was perhaps the best law regulating economic activity in the history of Poland;

– freeing food prices from administrative control as of August 1, 1989, which triggered large-scale inflation of course, but allowed equilibrium prices to develop in the market after a few months (in 1989 consumer prices rose by around 350%).

The public saw it primarily through the decline in real wages due to government decisions. However, there was no violent reaction from the public. It was probably because people were looking forward to the future with optimism and hope after the June 4, 1989 election.

Beginning of transformation: Shock therapy

The preparation of the new economic system began in autumn of 1989 when the parliament, who had been elected on June 4, 1989, began to legislate, and a government was formed with a dominant majority of representatives and supporters of Solidarity. Polish politicians had accepted the suggestions of the World Bank (especially of Professor Jeffrey Sachs, a colleague of Milton Friedman) containing an outline of recommended solutions. They were based on the so-called Washington Consensus and included a package of proposals addressed to developing economies, such as South America, Asia and Africa, by international financial institutions (mainly the International Monetary Fund and the World

⁴ Nomenclature was commonly referred to as people holding positions, which required the approval (and sometimes the recommendation) of the relevant institutions of the ruling party.

⁵ Mieczysław Wilczek, businessman, minister in the government of Mieczysław Rakowski.

Bank). This package was based on three pillars: Privatization, liberalization and deregulation. This was consistent with the generally accepted liberal market doctrine. In the period of systemic breakthrough in Poland this doctrine was considered to be in line with our expectations and needs, which was understandable, given the bad experience with the system that existed up to then.

The proposal to assume responsibility to prepare and legally regulate new solutions was submitted by the Prime Minister Tadeusz Mazowiecki to, among others, Prof. Witold Trzeciakowski and Prof. Cezary Józefiak; however, neither of them undertook this task. They concluded that the implementation of the proposed concept may encounter barriers difficult to overcome and lead to high unemployment and a reduced income of the population. Therefore, they did not want to take responsibility for it⁶. Ultimately, this task was undertaken by Dr. Leszek Balcerowicz, then assistant professor at the Main School of Planning and Statistics, (he became minister of finance and deputy prime minister). A package of ten new laws regulating business activities was prepared very quickly. The Government presented the bills to the Sejm on December 17, 1989; in the same month the bills were passed by the parliament and approved by the President. The new system has been in effect since January 1, 1990.

The pace of work on the new system, covering almost the entire economy, was therefore extremely fast. Under these conditions it was not possible to carry out in-depth analyses, discussions and public consultations. The preparation of a huge number of executive regulations had become a problem. It should be borne in mind that many new people came into the new administrative structures who had no experience in managing large institutions or substantive qualifications. It is difficult in such a situation to avoid errors and to take into account all the important aspects and problems. In practice, it soon became clear that the difficulties were greater than anticipated.

The results actually obtained at the beginning of the transformation process were generally much worse than the assumptions and forecasts adopted in the fall of 1989⁷. This concerned the basic values: GDP changes, industrial output, inflation, real wages, agricultural incomes and the unemployment rate. The deterioration of the economic situation in Poland was comparable (in terms of scale) to the situation in the US at the beginning of the Great Depression which broke out in 1929, although the reasons in both cases were quite different.

In Poland, the rapid “plunge” was the price which the economy and society paid for switching to a market system and opening up to the outside world in the form of a shock therapy. The question remains: Was this solution the best or the only one possible? After 1989, for many years it was generally accepted without discussion that it was a necessity, with no alternative. Only a few Polish

⁶ Also Prof. Władysław Szymański refused. The candidacies of Prof. Janusz Beksiak, Prof. Witold Kieżun and Prof. Janusz Kancinski were also considered. See: KOWALIK (2009, p. 82).

⁷ Włodzimierz BAKA (2007, p. 275) cites J. Sachs’ opinion that the stabilization plan will bring about over one hundred thousand unemployed people in Poland.

economists had a different opinion on this issue and proclaimed this openly, Prof. Tadeusz Kowalik and Prof. Grzegorz Kołodko among others.

In this article, we focus not so much on the substantive analysis of the content of Balcerowicz's program, but mainly on how this program was implemented and why it did not gain clear social acceptance. Probably the most critical stand on the reforms undertaken in 1989 was presented by KOWALIK (2001, p. 134). He believed that "... in the period of exceptionally large margin of freedom which history gives us very seldom, the unfortunate path of systemic change has been chosen, leading to a socially unjust socio-economic system. Its contours are already sufficiently expressive and persistent, and treating them as transitory social costs is a delusion". The potential of the reformist forces, the largest in the bloc of socialist states, had not been exploited. There was a drastic restriction of public debate, and negotiations with the trade unions were not allowed. According to T. Kowalik, Lech Walesa felt that a strong trade union movement was a hindrance to reforms; therefore he did not seek to rebuild Solidarity and proposed to give extraordinary powers of virtually unlimited scope to the government. With the imposed mode of passing laws, parliamentarians had no opportunity to get acquainted with the presented projects. KOWALIK (2001, p. 135) believes that "there is something shocking in that when asked whether Mazowiecki or Balcerowicz presented to Walesa, then the leader of Solidarity, the principles of reconstruction of the Polish economy, he responds: No, I do not think so, although I cannot recall it clearly anymore".

It is difficult to find confirmation that the prolongation of the reform's duration could jeopardize its implementation on the part of former political elites and the "nomenclature" (there is no evidence for it). It is more likely, instead, that the adopted form of the reform could have been really threatened by a time-consuming discussion and clash of views within the new political forces, which had become influential after 1989. There was no consensus on the core issues in these circles. It is evidenced by the content of some of the 21 demands formulated by Solidarity, treated by this trade union as the basis of the action program. For example, there were the following demands:

- introduction of food coupons for basic foodstuffs, i.e., the so-called "Cards" until the needs of consumers are met;
- prohibition on the export of goods which are deficient in the internal market;
- reduction in the age for retirement for women to 50 and for men to 55.

It was probably decided that in this situation, it would be more advantageous to use the method of *fait accompli*, using a very large capital of social trust for the new power.

Not all post-socialist countries have opted for immediate shock therapy. For example, in Czechoslovakia⁸ it was decided that the transition process should

⁸ It was not until 1992 (formally since January 1, 1993) that two separate states emerged: the Czech Republic and Slovakia.

be gradual, so that it would not lead to high unemployment and a decline in real incomes. Protecting these short-term interests of society was treated as a priority.

In 1989, registered unemployment rates in Poland and Czechoslovakia were negligible. The Czech Republic managed to maintain a low unemployment rate. It was generally a few percent, while in Poland unemployment rates reached a dozen or so percent (i.e., several times more). The Czech Republic also succeeded in considerably increasing real wages. Only in 1990 did they decrease by 6% compared to the previous year, while in Poland at the same time real wages decreased by as much as 25%. Between 1990 and 1995 real wages increased by as much as 46% in the Czech Republic, while in Poland between 1990 and 1996 only by 3%. In the Czech Republic, inflation was also significantly lower (in terms of consumer prices). In 1997, prices in the Czech Republic were 3 times higher than in 1990, while in Poland 7.5 times higher. Poland in turn had a strong advantage in the GDP growth rate. It is true that its collapse occurred in Poland faster and more violently (1990–1991) than in the Czech Republic (1991–1992), but faster and stronger was the recovery. For the entire 1990–1997 period, GDP declined by 2% in the Czech Republic and in Poland it increased by 26%.

It can be concluded that different goals were treated as priorities during the transformation process in Poland and in the Czech Republic. In Poland, the political elites treated the high growth rate as the main reason that the country was considered an example of the greatest success in the transition period in Central and Eastern Europe. This success should therefore provide social acceptance for pro-reform political forces, but in practice it was not clearly visible, perhaps because, as many economists say, there is no simple relationship between the level and growth rate of GDP and the social perception of well-being, standard of living and quality of life. The same measure of the level and quality of life and GDP as a measure of economic activity has been the subject of much controversy, cf. STIGLITZ et al. (2013), BOGLE (2009), CHANG (2013), KOTLER (2016), AKSMAN (2010), and STIGLITZ (2013). The results of research are often surprising and hard to interpret unambiguously. For example, the Nobel Prize winner in 2015, Agnus DEATON (2010, pp. 67–71) believes that we do not have sufficient grounds to determine “whether or not the growth in the world over the past half-century has brought an increase in life evaluation. But this seemingly uncontroversial conclusion has been mired in debate”. For example, the specificity of individual regions of the world and countries affects the evaluation of the level of happiness. But “... most notably there is a weaker relationship with national income” (than in the case of life evaluation – K.S.). “It turns out that a higher percentage of people in Bangladesh, Kenya, Nepal or Pakistan are experiencing higher levels of happiness than Danes or Italians. In turn Russia and its former satellites are among the unhappiest countries in the world”. Also the level of life evaluation is exceptionally low in Russia, the former Soviet Union countries and Eastern European countries (especially among elderly people).

As already mentioned, the violent and radical conversion of the Polish economy to the market system and private ownership took place at a very high social cost, much higher than promised while introducing reforms. Compared to the beginning of 1990, in 1993 about 40% of people lived below the social minimum; wages, old-age pensions and disability pensions fell by 30% and farmers' income was down by 50%. Nearly 3 million people remained unemployed, and consumer goods prices rose a few hundred percent.

There was a rapid change in the economic position and prestige of particular socio-occupational groups. Prior to transformation, differences in property and income were relatively small. The ability to provide oneself (family) with attractive consumption depended not so much on nominal income, but rather on:

- the place occupied in the power system (nomenclature, the apparatus of the Polish United Workers' Party), symbolized by “shops behind yellow curtains”, where authorized persons could buy hard to find goods at low price;
- employment in companies which produced or distributed (sold) attractive, hard to find goods;
- free time (pensioners had a lot of time and stood in line to buy goods in the official market);
- participation in the “gray zone” dealing with the illegal distribution of hard to find goods.

Already after the first months of transition, the determinants of access to attractive consumption had changed radically. Commodity prices were rising and rapidly approaching equilibrium. Almost everything could be bought effortlessly, provided the buyer had the money for it. The owners of private companies had become more and more affluent (in a short period of time their number had increased by several hundred thousand) as well as specialists – managers in economics, finance, management, marketing, and law, who were underestimated before the transformation. The role of engineers and technicians was declining (also in terms of income). Poland was entering a system in which the economic account and sales skills became more important than production.

For the many reasons mentioned above, support for reforms was weakening. Anxiety about the future, bitterness and resentment were increasing. Political elites had been trying to explain some of the failures by the fact that society was not yet exploiting the opportunities that the new system created, yet expected the state to take over the vital affairs of citizens; and that was no longer possible. Everyone should be active and determined to “take matters into their own hands”. But such expectations were not fully justified in society, which for decades had no motivation for creative effort, taking initiatives and competition. It was difficult to expect that such a passive attitude would change dramatically over a period of a year or two, especially in small towns, rural areas (e.g., among State Farms workers), and in low-educated environments. It was especially there that the conditions of life before the transformation were positively evaluated, including the mass transfer of the village population into cities, the possibility

of “getting” the apartment (albeit of low standard and after many years of waiting but almost for free), job security (albeit mostly poorly paid, but knowing that others are no better off), and the ability to meet basic consumer needs⁹.

The strikes, which were increasingly breaking out in the early stages of transformation in Poland, were a clear sign of declining trust and public support. This is shown in Table 1 (no data on strikes in Poland prior to 1990).

Table 1

Strikes in Poland in the years 1990–1996

Years	1990	1991	1992	1993	1994	1995	1996
Number of strikes	250	305	6,351	7,443	429	42	21

Source: based on Statistical Yearbook (1997, p. 139).

This information can be treated as a clear picture of the mood of Polish society. This image is even more expressive if the data on strikes in other countries is taken into account. For example, in 1992 there were 4–6 times more strikes in Poland than in any other country with the highest number of strikes (Spain, former USSR, India, and France). In the USA, there were 35 strikes, one in Austria and one Switzerland, 20 in Sweden and four in Hungary (International Yearbook of Statistics 1994, p. 105).

Continuation of the liberal economic system

The political parties that promoted reforms failed in the elections held in September 1993. It may be surprising that the successor to the Polish United Workers’ Party that ruled before 1990, the SLD (Democratic Left Alliance), decisively won the election. For the winners of this election, it was a very good time to take power, for two reasons:

– firstly, the Polish economy demonstrated visible signs of “recovery” and was entering the phase of accelerated growth based on the good foundation created by the reforms already under way;

– secondly, the international environment was creating increasingly favorable conditions for development, the Polish economy had already freed itself from

⁹ Definitely, during the so-called “late Gierek era” (1976–1980), two-three times more apartments were constructed than in the later years. For example in 1978 it was as many as 283,000 apartments (Statistical Yearbook 1984, p. 424). And the meat consumption was highest in Poland in 1980 (69.1 kg) and so far this level has not been exceeded. The decline in meat consumption during martial law was over twenty percent, however the empty shelves in the shops made a bad impression (Statistical Yearbook 1984, p. 122).

the pre-existing dominant relationships with the former socialist bloc and was increasingly strengthening its position in the western markets.

And that is why, despite the lack of significant systemic changes, the Polish economy achieved serious successes in the following years. This is evidenced by the data in Table 2.

Table 2

Changes in basic economic values in the years 1993–2015

Economic values	1993	1997	2001	2005	2007	2015	2016
GDP growth rate (previous year 100%)	103.8	106.8	101.0	103.5	103.3	103.6	102.8
Number of registered unemployed (in millions) (at the end of the year)	2.89	1.83	3.15	2.77	1.75	1.56	1.33
Unemployment rate at the end of the year (in %)	16.4	10.3	17.4	17.6	11.2	9.8	8.3
Commodity and services price index (previous year 100%)	134.6	114.8	105.5	102.1	102.5	99.3	100.8
Budget deficit at the end of year (in %)	-2.7	-1.4	-4.3	-2.9	1.4	-2.6	-2.3
Average monthly real remuneration (previous year 100%)	97.1 Net	107.3 Net	102.5 Gross	101.8 Gross	105.5 Gross	104.2 Gross	4.4 Gross

Source: based on Statistical Yearbooks (1993–2015).

And perhaps the attachment to the liberal-market doctrine, demonstrated by the SLD (and the PSL – Polish Peasant Party) in avoiding major changes improving the situation of socio-occupational groups which did not feel themselves to be beneficiaries of the systemic transformation determined the outcome of the 1997 parliamentary elections. The Solidarity Electoral Action, which was strongly linked to the program and personnel of Solidarity, gained social support. Probably a large proportion of voters (dissatisfied with previous governments) believed that the government representing the trade union was best able to represent the interests of salaried employees and those who believed that they had not succeeded in the transition process and had been discriminated against.

The AWS (Solidarity Electoral Action) government was a unique experiment, not only in Poland, but also internationally. So far, there have been no cases of such far-reaching intervention and interference of the trade union into the sphere of politics. However, also at this time liberal-market economic policy continued, and the government was quite successful in opposing the introduction of elements of social solidarity and social needs into its program. Therefore, it is no wonder that Leszek Balcerowicz became the Minister of Finance and Deputy Prime Minister responsible for the economy, for the second time (his first term was in the years 1989–1991). Therefore, the economic policy, initiated

in 1990, with modifications and additions, was continued. The AWS government had no significant success in the economic sphere. This is demonstrated by the data in Table 2.

Reforms of the budgetary sphere

The AWS government focused on issues not directly related to the economy but to the broadly defined budgetary sphere. Already in his first expose at the end of 1997, Prime Minister Jerzy Buzek announced that his government would prioritize the preparation and implementation of four reforms covering the areas important to society: health care, education, pension systems and the administrative division of the country (local government system). These areas had been omitted in the reforms so far. It was decided that radical changes would be needed to improve the quality of services provided and rationalize their costs; all four reforms were to be implemented on January 1, 1999. Time was short, and many difficult problems had to be solved. Again the question arises (as with regard to the year 1989), why in such a short time and in so many fields at the same time? There were probably even fewer arguments in favor of this approach than in 1989. However, at the time, external pressures (the IMF, the World Bank) played a large role, as well as the lack of experience in undertaking such large reform projects. In 1998, such pressures mainly constituted mild incentives, and experience gained after 1989 should have encouraged caution and prudence. It seems that in 1998 the political criteria predominated again.

Large reforms in sectors relevant to the functioning of society in the early stages generally trigger disturbances and additional costs, even when well prepared. And yet there were no funds available to cover the additional expenses, and the experience so far gave no reason to believe that everything would be perfectly designed and implemented. It must be borne in mind that all reforms had provoked turbulent discussions and controversies. In general, the reforms were supposed to improve service quality and rationalize spending by increasing the role of market mechanisms and private ownership (this did not apply to reform of the administrative structure). A new wave of strikes became another manifestation of disapproval and opposition (after the first in the years 1992–1993). In 1999, there were 920 strikes, while in 1997–1998 respectively 35 and 37, and between 2000 and 2001 respectively 44 and 11.

Over time, the weaknesses of the solutions adopted in 1999 became increasingly apparent¹⁰. They did not produce expected positive results. Furthermore, important and difficult problems were still waiting for a solution and were still causing dangerous tensions for the functioning of society.

¹⁰ Even the legitimacy of the administrative structure reform, especially the creation of powiaty (counties), is being questioned.

Dani Rodrik argues that one should not overextend at the same time the field and scope of institutional reforms. Based on an analysis of more than 80 cases in which different countries have increased their growth rates by at least two percentage points for at least seven years, he (in collaboration with Ricardo Hansmann and Lant Pritchett) concludes that the vast majority of them were unrelated with important economic reforms (e.g., liberalization and opening up of the economy). Growth impulses mainly consisted in loosening specific constraints and institutional changes were moderate. That undermines the legitimacy of “prescriptions” formulated under the Washington consensus. It seems that Andrzej Wojtyna (2008) agrees with this approach, quoting the following statement by D. RODRIK (2006): “In the limit, the obsession with comprehensive institutional reform leads to a policy agenda that is hopelessly ambitious and virtually impossible to fulfill”.

In Poland, as in other post-socialist countries, discussions about the role of the state in transforming economies are still ongoing. At the beginning of the transformation, the views that this role should be minimized clearly prevailed. Such attitudes softened over time. Since the outbreak of the crisis (2008) more and more economists, economic activists and politicians are willing to accept greater state activity in the economy.

2006 Nobel Prize winner Edmund S. Phelps in an interview for “Polityka” *The Market in the Reins* (2008), already at the beginning of the crisis, said that “market mechanisms need to be corrected more than usual in order to ease the shocks caused by the poorly regulated market.” Dani RODRIK (2011, p. 216, 217), believes that under current conditions “... traditional dichotomies between market and state or laissez-faire and intervention begin to make less sense. These alternatives are not competing ways of organizing a society’s economic affairs; they are complementary elements that render the system sustainable. Every well-functioning market economy is a mix of state and market, laissez-faire and intervention”.

The current crisis has prompted the majority of Western European countries to increase their activity focused on initiating and financially supporting the desired changes in the economic structure, including in particular increasing the role of renewable energies and the fight against the causes and effects of global warming. The state plays the leading role here, not the market. As Mariana MAZZUCATO (2016, 37, 38) notes, “In fact, history shows that those areas of the risk landscape... that are defined by high capital intensity and high technological and market risk tend to be avoided by the private sector and have required a great amounts of public sector funding (of different types) as well as public sector vision and leadership, to get them off the ground. The State has been behind most technological revolutions and periods of long-term growth. This is why an ‘entrepreneurial State’ is needed to engage in risk taking and the creation of a new vision, rather than just fixing market failures”.

However, in Poland such views have gained few supporters. It was argued that liberal-market reforms should be continued (despite the fear that they would not have much public support), but they need to be conducted more carefully and to a limited extent, while focusing attention on issues which should not evoke negative emotions.

Extending the retirement age

That was probably why the Civil Platform (PO) (as a ruling party) had undertaken another major reform, but one that, as it was supposed, did not entail serious political risk. It was an extension of the retirement age: for women from 60 years to 67, and for men from 65 to 67 years. This should have protected the state budget from collapse in the future as a result of growing subsidies to pension funds under conditions of a deteriorating demographic situation and prevent a drastic reduction in pensions (the so-called replacement rate showing the share of the average pension in the average wage would inevitably fall). It was considered that these arguments were so clear and convincing that they would easily be approved by the public. The authors of this reform, as its additional assets saw little implementation costs, a small range of organizational and personnel changes. The reform was passed on January 01, 2013).

However, it turned out that all these arguments did not convince a large part of the population, and the Law and Justice party (PIS) in its program for election (who won in 2015) promised to restore the previous retirement age (and indeed did)¹¹. Again the question arises: is this lack of support due to irrational causes or is it possible to explain it reasonably? It seems that the authors of this reform did not adequately take into account the specificity of the Polish economy nor the impact of this specificity on social awareness and values. And especially that:

- the economy continues to create a high demand for low-skilled workers, performing simple tasks requiring physical effort. For those employed in these positions, extending the working period by several years may lead to extreme physical and mental exhaustion¹²;

- high share of unstable employment forms has been achieved (about 25%, the highest in the EU next to Spain), mostly low paid, without social security (so-called junk contracts);

¹¹ As we have mentioned, one of the 21 Solidarity demands was retirement age of 50 for women and 55 for men. At the time of adopting the Act on the extension of retirement age (2012), only three EU countries had a longer retirement age for men than in Poland (and only by one year). In the case of women we were in a position close to the average.

¹² This has been noted by Thomas PIKETTY (2016, p. 221) who considers the proposals suggesting the extension of the working period as a weakness.

– the labor market is unstable, there were almost 3 million unemployed in 1994, about 3.4 million in 2002, after joining the EU unemployment fell to 1.5–2 million (but about 2 million people work abroad). It was not until July 2017 that registered unemployment reached its lowest level in twenty-five years (about 1.14 million people);

– there are not enough job offers for people over the age of 50;

– a large part of society still does not have high consumer aspirations. This applies in particular to (but not limited to) older, less skilled people. They have a relatively low but stable income and a sense of confidence that they will receive it on a regular basis;

– there is widespread concern that in the future pensions may be relatively (in relation to wages) lower and lower. This fear is generated by politicians and the media;

– retirement worsens the current income situation, but this difference is small, especially for people with low wages.

In preparing the reform, which extended the retirement age, all this was not adequately taken into account. It made it difficult to make an accurate assessment of the attitude and reaction of the public. It turned out that a significant portion of the public believed that extending the retirement age was not beneficial to them. And it does not seem justified to blame the same society for it. It is rather that the political-state power should better formulate proposals for systemic changes, i.e., to ensure that they do not exceed the expectations of the public and that they are acceptable to them. This sometimes requires tedious and long-term arrangements and educational activities. But in democratic systems of governance it is necessary to avoid serious social and economic shocks and disturbances. It should be borne in mind that economics is not an experimental science. All the more, it imposes a great obligation and responsibility on the experimenters (reformers), because insufficiently justified and inaccurate recommendations and guidelines of economists can adversely affect the living conditions of society, especially when they are used hastily by economic policy.

“Good changes” (since 2015)

By 2015, economic policy was aimed at consolidating and expanding market mechanisms, deregulation (often declared and unrealized), and the creation of favorable business conditions for entrepreneurs. The Law and Justice party after taking over power seeks to:

– strengthen the economic position of the most vulnerable sections of society (Program 500+, raising the tax-free income of individuals, striving to liquidate so-called junk contracts, raising the minimum wage and the lowest hourly rate);

– strengthen the role of the state sector in the economy (taking over private banks, insurance companies, repolonization, large development programs

formulated by the Minister of Development, e.g., utilization of graphene, restoration of the shipbuilding industry, launch of mass production of electric cars¹³ and drones;

– pursue an industrial policy which ensures optimal interaction between the public and private sectors. A brief explanation was given by Deputy Prime Minister M. Morawiecki in the preface to M. Mazukato’s book *Przedsiębiorcze państwo* [The Entrepreneurial State: debunking public vs. private sector myths.] He wrote there (p. XXVII) that from the beginning of the transition there was quiet consent “... to roll up the state and avoid strategic decisions in economic policy”. This was confirmed by the Minister of Economy’s statement that “The best industrial policy is none at all”¹⁴. This attitude needs to be changed, while “... it does not necessarily mean that the state should conduct extraordinary activity – it is enough to support industry, entrepreneurship and innovation in the same way that the world’s most developed countries do”. And apply the same tools that these countries use;

– implement the ideas and postulates of social solidarity: strengthen the weakest positions, introduce solutions that enable equal opportunities, e.g., greater supply of public goods, reduction of private and commercial mechanisms which regulate supply and access to e.g., health and education, providing by the state pensions enabling decent living for post-working age population. The share of high-income people in securing financial resources for the realization of postulates of social solidarity should increase, also by e.g., a more efficient collection of VAT and CIT, introduction of new types of taxation on large-scale stores and banks, and increasing the effectiveness of the fight against the gray zone.

The PiS program requires very high financial resources. At present, there is a favorable situation facilitating the provision of necessary funds, because:

1) the growth rate of Poland’s major foreign partners (including Germany) is quite high, which is conducive to the growth of Polish exports;

2) internal consumption is increasing due to the influx of money from the 500+ Program, wage growth (this is also due to raising minimum and hourly wages and increasing employment);

3) tax revenues are growing as the GDP growth rate is quite high and the tax collection is improving;

4) it can be assumed that a large inflow of EU funds (2014–2020 budget) will reach Poland in the coming years.

However, these exceptionally favorable conditions at present do not have the features which ensure their stability. The positive effect of some of them will decline over time (mainly points 2 and 3), the growth rate abroad (item 1) is beyond our control and the EU funds will probably be smaller (this is

¹³ Production of ‘ordinary’ cars is increasingly seen as a declining sector (see, for example, CHANG 2013, p. 292).

¹⁴ He quoted US economist Gary Becker.

a common belief). It should also be noted that these present favorable conditions are mainly of a demand nature, which determines their instability and volatility. In order to ensure financial resources for the implementation of the program in the long-run it is necessary, as soon as possible, to make such structural changes which will significantly increase the share of modern economic sectors, increase the technical level of production, and ensure a high level of innovation. This requires the creation of a truly knowledge-based economy. In order to achieve this, however, we need to make fundamental changes in economic policy and bear very high costs, e.g., for education, R&D, production investment. It seems impossible to achieve this over the next few years. Therefore, one has to be skeptical of the reality and the possibility of achieving the program objectives formulated by the Law and Justice party, especially in the long run.

There is insufficient evidence so far to assess the response of the public to the current economic policy pursued by PiS and the reforms related to this policy. There are two main reasons:

- the objectives set by PiS have only been implemented for a short time (since 2015);
- the controversy over the political aspects of the PiS program, including institutional reforms, may have a strong impact on the assessment.

Serious premises facilitating the assessment can be provided by results of the elections which will take place in the coming years: self-governmental, parliamentary, and presidential.

At present, one can conclude that the socio-economic goals proposed by PiS in the electoral programs in 2015 were adopted by a large proportion of voters positively, which enabled PiS to take over power.

Social approval for such a course of events may be due to a negative assessment of previous market-oriented reforms, but also the fear that power may be taken over by political forces which would like to undertake market reforms again, similar to the previous ones. Such fears are caused, among others, by the fact that the two main opposition parties which declare their interest in pursuing pro-market reforms have failed to critically assess the reforms and activities of L. Balcerowicz, who had been the chief implementer of the largest reform projects: in 1989 and 1999. L. Balcerowicz is still an authority on economic matters for these parties¹⁵. His views on the desired shape of the economic system and the need for reforms, which would allow such a system to succeed in principle, have not changed after the experiences of 1989 and 1999. The impression is that they have become even more liberal-market oriented. This is evidenced by the content of an interview with L. Balcerowicz, published in 2014 in “Polityka” (No. 37). He is in favor of further limiting the role of the state. He believes that the

¹⁵ For many years Ryszard Petru (chairman of the Nowoczesna party), as well as Andrzej Rzońca, the chief economist of PO since 2017, responsible for shaping the economic program of this party, were Leszek Balcerowicz’s close associates.

supporters of the state are either those who want to get more money from the state and protection from the competition, or “ideological followers of statism”. He admits that he has “no respect for the moral and intellectual qualities of these people... They break the standards of logic and experience”. He advocates for consistent commercialization and privatization of health and education (he believes private colleges are better than public ones). He is opposed to raising minimum wages, because as a method to reduce poverty “it is a remedy worse than the disease”. He advocates a drastic reduction of public goods – in his opinion, the state should finance, “Surely defense and to some extent the judiciary”; and partly internal security. “If only strictly public goods were to be financed by the budget, expenditures would not exceed 5–10% of GDP”. He believes that “the over-developed and poorly constructed social states under the slogans of charity produce people addicted to social welfare... What is worse, it affects the children. The worst thing that can be done to poor people is to make it harder for entrepreneurs to create jobs and to discourage employees from working”. In this regard, he suggests that women who have lost their jobs and are raising a few children alone should get help “First of all, from family and friends. You cannot release people from moral obligations. And due to the expansion of the welfare state people lose a sense of responsibility to help others. Some minimum social assistance is needed, but of short duration...”¹⁶. It is questionable whether in Poland such views increase the attractiveness of pro-reformist parties (those referring to the authority of L. Balcerowicz); and this may consolidate aversion to reforms among large social groups.

It must also be noted that extreme liberal-market views are less and less popular in mainstream economics. Critical evaluations of the systemic transformation in the post-socialist states are more and more often expressed by Western economists. For example STIGLITZ (2010, p. 262) considers that “The former communist countries generally turned, after the dismal failure of their postwar system, to capitalism, but some turned to a distorted version of a market economy: they replaced Karl Marx with Milton Friedman as their god. The new religion has not served them well”. He also says, (STIGLITZ 2007, p. 7) that “the shock therapy they had pushed in the former Soviet Union and its satellites played an important role in the failures of the transition”. RODRIK (2011, p. 200) notes that “Governments worldwide have started looking for more balanced strategies since liberalization and privatization have not produced the expected results”.

CHANG (2013, p. 312) is of the opinion that the free-market economy must be abandoned because “during the last three decades, the increasing influence of free-market economics has resulted in poorer economic performance all over the world... If we need economics at all, it’s not free market economics”.

¹⁶ This begs the question of whether such proposals may provide equal opportunities widely recognized as a key feature of the modern democratic state (see e.g., ATKINSON (2017, p. 485) and provide children with a good childhood enabling development, which is increasingly postulated as a primary political goal (see THERBORN 2015, p. 195).

Does the public have grounds for aversion to reforms? (Conclusions)

We have shown in this paper that the changes to reform the economy introduced in Poland in the 1980s generally triggered negative reactions of large social groups (strikes, lack of support for the political forces which prepared and introduced reforms). We try to ascertain whether such reactions are justified, and whether there are serious arguments for them or whether these are the immaturity and the demanding attitude of the public, which impede understanding of the need to reform the economy. We come to the conclusion that there are serious reasons for distrust and unwillingness to reforms. We present the point of view of society (rather than of experts – economists), and especially of the social groups which articulate their preferences most profoundly and effectively.

When analyzing the reactions to reforms, we take into account a relatively short period, at most several years, because with longer time horizons it becomes increasingly difficult to establish and understand cause-and-effect relationships between the various phenomena and to identify the impact of individual factors on the events and changing situations. Moreover, during the election campaigns (i.e., periodically, every few years) new proposals and reform programs are usually submitted, which are later (albeit to varying degrees) implemented. It is more difficult than to identify the impact of previous and new reforms on economic reality¹⁷.

When analyzing the response of society to changes, which are to reform the economy, one should use uniform evaluation criteria which include features of objectivity and generality and therefore are applicable in different conditions. We distinguish eight such evaluation criteria:

- 1) the objectives of reforms – were they consistent with the expectations of those social groups which played an important role in setting the political and legal agenda and had the greatest impact on the results of the elections;
- 2) the degree of consistency between goals and achieved results;
- 3) when did the benefits materialize for those social groups, which determined the results of the elections?;
- 4) the significant positive impact on the economic condition (position) of the social groups which supported the proposed reform program and enabled the political forces presenting these programs to gain power (through elections);
- 5) the pace of reform, measured by the time lapsed from initiative to implementation (i.e., effective date);
- 6) proper preparation (whether it contains substantive and formal errors, constitutional compliance, etc.);

¹⁷ With such a short-term approach one cannot fully assess the impact of the 1989–1990 reform, which pioneered the change of the principles of the socio-economic system and was a unique undertaking on a global scale.

7) consultations with stakeholders, ability to compromise;

8) ability to correct errors, irregularities and undesirable phenomena which occur during implementation (validity).

Taking into account the above-mentioned criteria and time constraints of the analysis, the reform processes of the economy in Poland can be considered to have raised a lot of objections of these social groups which played an important role in shaping the political order (since, for example, they influenced the outcome of the parliamentary and presidential elections). It is difficult to find examples of respecting criteria 6, 7 and 8 in politics. Most often the opposition is not allowed to prepare the draft changes, its demands are rejected, the new legal norms require many amendments, reformers do not accept criticisms and arguments that the effects are unfavorable and not in line with expectations. The pace of reform (criterion 5) is often quick, but is generally achieved at the expense of not meeting the requirements of criteria 6 and 7. The reforms of the 1989–1990, 1999 and the 2015–2016 reforms can serve as examples in this respect. It is often difficult to see a clear consistency between goals and achieved results (criterion 2). This also applies to the biggest reforms: 1989–1990 and 1999, considered over a several year period.

The positive impact of the reforms on the economic situation of the social groups, which supported these reforms (criterion 4) was most clearly manifested between 2015 and 2016. In other cases, there was no such clear relationship. Relatively large benefits from the reforms of 2016–2017 (criterion 3) have appeared quickly, (500+ Program, raising the minimum wage, increase in minimum hourly rates, raising the threshold for personal income taxation). So far, there have been no cases of such significant benefits gained in a short time. Probably the most important criterion is the first one. The consistency of reform objectives with expectations was clearly visible in 2015. Social groups with low incomes and a weak position in the labor market decided then that this would be a reform for them and not for the hitherto existing political and economic elites.

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