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Poland, From One Rhythm to Another

- **Selected Bibliography of Polish 20th Century History**

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- **Historical Overview**

Second World War

Synopsis

Poland was attacked by Nazi troops on September 1st 1939. Two weeks later the Red Army entered Polish territories wiping Poland off the map of Europe. Initially an ally of France and Great Britain, Polish troops and government in exile (Angers, London) played an important role in the struggle. After Hitler's attack on USSR, and the breaking relations between London government and Moscow, Poland's voice was less listened to, its politicians largely ignored. During the conferences in Teheran, Yalta and Potsdam, Poland was an object, rather than a partner in the debate. Decisions were taken without Polish politicians and effectively Polish fate was left in the hands of Joseph Stalin.

1944-1947/48 – Seizure of Power by Communists

Synopsis

End of the war brought about undisputed victory of the Soviet Army on the Polish territory. From the very start, the Soviet authorities, along with NKVD, secret police and the military set about to seize power. This was a crime and occupation on an allied country, with a legal government still existent in London.

With cruel, terrorist methods Communists took power in a nice wrapping of democratic elections and Yalta agreement. Even though not all members of the anti-Nazi underground gave up or were arrested, 1948 and the merging of two most important leftist parties marks the end of this process. Poland was in the grip of Communism, alike other states beyond the iron curtain.

1948-1956 – Stalinism

Synopsis

Years following the seizure of power mark the beginning of the Cold War, isolation of the Soviet block from the outside world and strengthening of Communists in Poland and other neighboring countries. **WHO IS NOT WITH US IS AGAINST US** – no one is allowed to be indifferent, neutral to the changes. The Communist Party enters all domains of life, controlling peoples' activity and thoughts. Terror persists. Everyone was a potential "counterrevolutionary" element.

1956-1970 Gomułka

Synopsis

Following the **Thaw**, which took a peaceful turn in Poland (except for earlier riots in June in Poznań) Władysław Gomułka, devoted Communist and former prisoner of his colleagues becomes First Secretary of the Party. His rule in Poland opens with great hopes for a better, freer society, but soon all these expectations are gone. Gomułka proves to be an incompetent, stubborn, primitive devoted Communist, who will not move outside the frames of the Warsaw Pact, centrally steered economy and Communist ideology.

1970-1980 Gierek

Synopsis

Gomułka is succeeded by Edward Gierek, a "worldly" Communist, who opens Poland to the world. Gierek attempts to make a superpower out of Poland (Poland the tenth industrial power in the world), yet does it borrowing huge sums of money and spending them on wrong investments and consumption. The myth of powerful collapses in mid 1970s, yet Gierek remains in seat till 1980. In his times Poles were allowed to travel widely, have dollar bank accounts. His time results in full-fledged double economy: official based on Polish money, market based on the dollar (German mark).

1980-1981 Solidarity

Synopsis

Following huge wave of strikes in the summer of 1980 and an agreement signed in the end of August, workers form Solidarity, huge trade union. Solidarity at the end of 1980 numbers about 10 mln people becoming the largest social movement in history. Despite tremendous economic problems people feel free and in their own country.

1981, December 13 – 1989 Martial Law, Jaruzelski

Synopsis

On the cold night of Dec. 13th gen. Jaruzelski crashes Solidarity and introduces Martial Law. Yet he has no idea what next. Poland falls into possibly the most depressing period in its history. After the hope and freedom of 1980/81 there is no hope for the future.

Poland after June 4th, 1989

Synopsis

The “gray” period ends with the Round table talks in February – April 1989, and the elections which follow on June 4 and 18. In spite of the new winds, the international situation forces Poland to elect Jaruzelski president. Yet the government is formed by Tadeusz Mazowiecki, the first Polish post-war independent, Catholic, prime minister. Mazowiecki’s government, which copes with hyperinflation prepares the economic reform, which is introduced on January 1st 1990.

In November/December 1990 first free general presidential elections took place. Lech Wałęsa was elected in the second round.

In the last quarter of 1991 first free parliamentary elections took place.

In March 1999 Poland joined NATO.

On 1 May 2004 Poland joined the EU.

• *Politics*

1989 – June 4, June 18	Partly free elections based on Round Table agreement
1989 – July	National Assembly elects President of Poland
1990 – November/December	Presidential elections won by Lech Wałęsa
1991 – October	First post WW II free elections
1993 – September	Early parliamentary elections
1995 – November	Presidential elections
1997 – September	Parliamentary elections
2000 – October	Presidential elections
2001 – September	Parliamentary elections
2005 – September	Parliamentary elections
2005 – October	Presidential elections
2007 – October	Parliamentary elections
2010 – June	Presidential elections
2011 – October	Parliamentary elections

ELECTIONS 2011 (9 October 2011):	%	# deputies
Citizen's Platform (Platforma Obywatelska)	39.18 %	207
Law and Justice (Prawo i Sprawiedliwość)	29.89 %	157
Palikot's Electoral Movement (Komitet Wyborczy Palikota)	10.02 %	40
Peasant Party (Polskie Stronnictwo Ludowe)	8.36 %	28
Leftist Alliance (Sojusz Lewicy Demokratycznej)	8.24 %	27
German Minority	0.19 %	1

- ***Economy***

Pre 1989 years	After 1990
Means of production owned by the working class	Private/mixed ownership of means of production
Central distribution of the means of production	Very limited or no central distribution of means of production
Scientific approach to economic planning	Market economy implemented
Annual and long term planning	No central planning (except for state budget)
Centralized budget	Decentralization of the budget
Central control & governance over economy	Limited control over production and economy
Very limited private ownership of production	Privatization and private ownership
No exchangeable currency	Exchangeable currency
Black market	No black market
No unemployment	Regular job market and unemployment
No quality control	Very strong stress on improvement of quality
No direct taxation	Regular income tax and VAT
No accumulation of capital	Accumulation of capital
No amortization of machinery	Amortization introduced and taken into account
No money economy	Very good, strict money economy

Economic Transformation After 1989

I. What Needed To Be Done

Privatization and Structural Reforms

Privatization: legal transfer of property rights from the state to private agents. Private property does not mean full ownership. Privatization may also mean creation of new enterprises.

Aims:

Creation of new class of capitalists and entrepreneurs.

Equity consideration, that is return of property once taken by the state. It may also mean a transfer of shares to employees of a certain company. Also giving away certain state assets to all citizens.

Privatization in order to improve efficiency (better management).

Privatization to raise funds. Generating revenues for the state.

Privatization as an element of stabilizing the monetary/economic situation (elimination of monetary surplus on the market).

Mechanisms of privatization:

First stage, i.e. small privatization was conducted relatively fast and without large state input. Large-scale privatization was slow, cumbersome and rose doubt in all countries.

- Legal framework
- Institutions which privatize
- Selection of enterprises to be privatized

Several possible methods:

A/ Sale to foreign investors

B/ Sale to domestic capital

C/ Give-away

D/ Liquidation

Ad A. Legal framework for foreign investment was established in 1970s in Hungary, 1972 in Romania, 1976 in Poland, in 1980s in Bulgaria and 1989 in Czechoslovakia.

Hungary: Due to illusions about the fiscal potential for privatization the government did not give shares away free.

Privatization costs amounted to 28.4 % of revenues received from privatization up to 1996.

Poland: Workers were granted 10% of shares in privatized companies. From 1997 no consent of management and/or employees of a company is needed to privatize it.

Czechoslovakia: Privatization a political aim in itself. The government wanted to cut off old regime people from companies and source of money, and thus privatization was carried out fast.

II. Other areas of Structural Transformation

- Banking and Financial Sector Reform
- Emerging Capital Markets
- Tax Reforms
- Building New Social Safety Network
- Labor Market Policies
- Transformation in Agriculture

III. Stages of Reform

Three essential stages of economic transformation:

- Macroeconomic stabilization
- Privatization
- Structural reform

Stabilization “package”:

- Price liberalization
- Balancing the state budget
- Restrictive monetary policy of the state
- Incomes policy
- Foreign trade liberalization

Structural measures aiming at stimulation of private market economy:

- Launching privatization

- Setting up market environment (reform of banking sector and financial system)
- Developing new safety net
- Defining the sectors to be privatized.

REALITY - The Polish Big Bang Reform

According to Jeffery Sachs: Poland's goal is to be like the states of the European Community. Although there are many sub models within Western Europe, with distinct versions of the modern welfare state, the Western European economies share a common core of capitalist institutions. It is that common core that should be the aim of the Eastern European reforms. (J.S., *Poland's Jump to the Market Economy*, MIT Press, p. 5).

Situation in 1989: impoverished economy, profound financial crisis; hyperinflation resulting from structural crisis and collapse of the old regime.

Six structural features of Poland's economy 1989 (Sachs, 12-13)

- high industrialisation
- large peasant agricultural sector
- state owned enterprises
- lack of small & middle sized factories
- Poland's trade directed at the East
- egalitarian distribution of income and wealth

1989 – last communist government introduces partial reforms. They lack the aim of producing real market, are too cautious, too hostile to real privatisation. There is no attempt to decentralise, to limit excessive wage raise, to fight inflation.

Summer 1989: food prices liberation leads to increase in wages (0.8 indexation) and in effect to consumer price inflation. In August it reaches 34% (30.000 annually) and in October passes 50% (54, i.e. 170.000 annually) becoming a hyperinflation. According to Sachs it was the 14th hyperinflation in history. Minimal control of prices, without adding any additional measures led to a very difficult crisis.

Inflation in 1989 (2nd half) reached 251% and was rising. Most state-owned monopolies and holdings were ineffective and completely obsolete in terms of technology. Wages were low, and the shortage economy led to lack of even the most basic foodstuffs in the shops.

October 6 – the economic reform was presented on TV. On December 29, the parliament passed 10 laws, which were to be the pillars of the “Balcerowicz program”. Jaruzelski signed these laws on December 31, 1989.

The 10 laws in question were:

1. *Act on Financial Economy Within State-owned Companies*, which allowed for state-owned companies to declare bankruptcy and ended the situation in which a company was to exist even if it was ineffective and non accountable.
2. *Act on Banking Law*, which forbade financing the state budget deficit by the national central bank and forbade the issue of new currency.
3. *Act on Credits*, which abolished the preferential laws on credits for state-owned companies and tied the interest rates to the inflation.
4. *Act on Taxation of Excessive Wage Rise*, introducing the so-called popiwek tax limiting the wage increase in state-owned companies in order to limit the hyperinflation.

5. *Act on New Rules of Taxation*, introducing common taxation for all companies and abolishing special taxes that could previously be applied onto private companies through means of administrative decision.
6. *Act on Economical Activity of Foreign Investors*, allowing foreign companies and private people to invest in Poland and export their profit abroad. AT the same time they were obliged to sell currency to the national bank of Poland. These companies did not have to pay popiwek.
7. *Act on Foreign Currencies*, introducing domestic exchangeability of złoty and abolishing the state monopoly in international trade.
8. *Act on Customs Law*, uniformizing the customs rates for all companies.
9. *Act on Employment*, regulating the duties of unemployment agencies.
10. *Act on Special Circumstances Under Which a Worker Could be Laid Off*, protecting the workers of state firms from being fired in large numbers and guaranteeing unemployment grants and severance pay.

The Balcerowicz Plan introduced on 1st January 1990 thus meant:

- Decisive break with the Communist system
- Jump to market economy
- Private ownership, free market
- Integration with the world markets
- Stabilisation programme to end hyperinflation

Pillars of the programme:

- macroeconomic stabilisation
- liberalisation
- privatisation
- construction of “social safety net” (unemployment compensation plan)
- mobilisation of international financial assistance for support

On 1 January 1990: sharp cut in consumer and producer subsidies; end to almost all price control; no central planning; no black market currency exchange; opening of foreign trade; convertibility of currency; introduction of “popiwek”; demonopolisation.

The IMF accepted the plan and support was given to Poland, which had a national debt of \$38.5 billion. Also an international stabilisation fund of \$1 billion was created.

Others followed either borrowing money, or writing off some debts. The reforms limited state control over economy. Liberalisation of prices was accompanied by control of wages.

- ***Society***

Social costs of the reform were very high. Unemployment went up to 6% at the end of 1990. GDP dropped by about 15%. Peoples' real income dropped by about ¼.

Change in %	1990	1991	1992	1993
Prices	585.8	70.3	43.0	35.3
GDP	-10.5	-7.5	1.5	4.5
Real wages	-24,4	-0,3	-2,8	0,3
Industrial output	-24,2	-11,9	3,9	7,4
Agricultural production	-2,2	-2,0	-12,8	1,5
Export	24,7	-18,5	-11,5	-2,8
Import	-2,5	24,3	2,5	17,7
Unemployment	6,1	11,5	13,6	15,7
Budget deficit (% of GDP)	3,1	3,8	5,1	2,8

Source: Warsaw Economy Research Institute "Poland 1993/1994". Warsaw School of Economics 1993.

In 1997 Center for Examination of Public Opinion (CBOS) conducted a survey asking, among others, "Which period in history would you consider as the happiest in your life?" The results were as follows (the last column denotes the worst times by same responders):

1939 and earlier	2%	1%
1939-45	0%	7%
1945-47	2%	2%
1948-55 Stalinism	1%	3%
1956-60	2%	2%
1961-69	6%	2%
1970-75	18%	2%
1976-80	15%	4%
1980-81 Solidarity	4%	11%
1981-88	9%	15%
1989-93	10%	13%
1994-97	21%	18%
No period	9%	15%
Hard to say	1%	5%

For the first time since changes in 1989/90 higher percentage chose Gierek's times (18+15=33), than post-Communist Poland (10+21=31).

http://www.cbos.pl/SPISKOM.POL/1997/K_089_97.PDF