

Poland in transition

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Lecture – Warsaw 8th April 2013

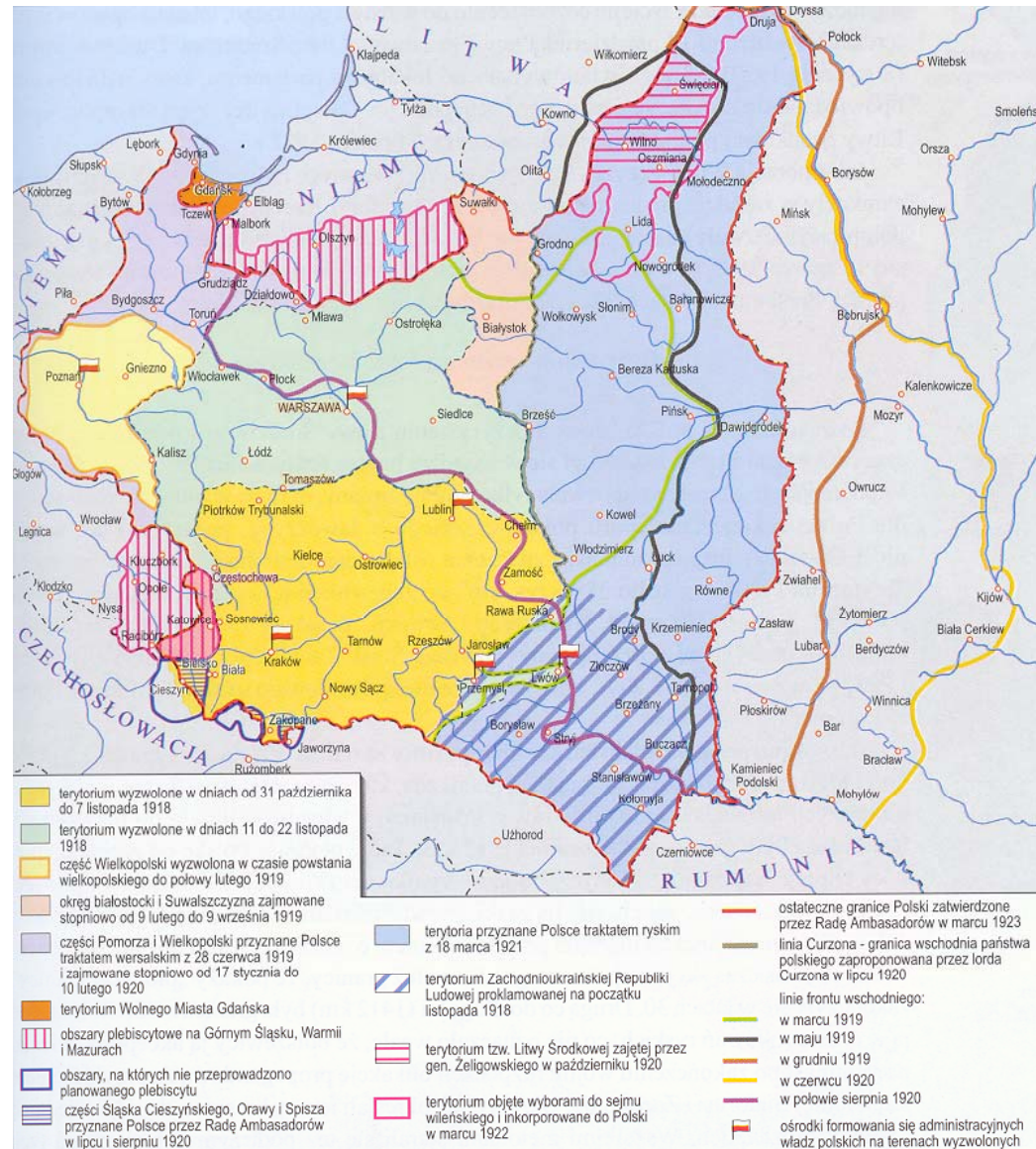
Structure of the Lecture

- Historical overview
- Political transformation
- Economic transformation
- The Society

Central-Eastern Europe 1910

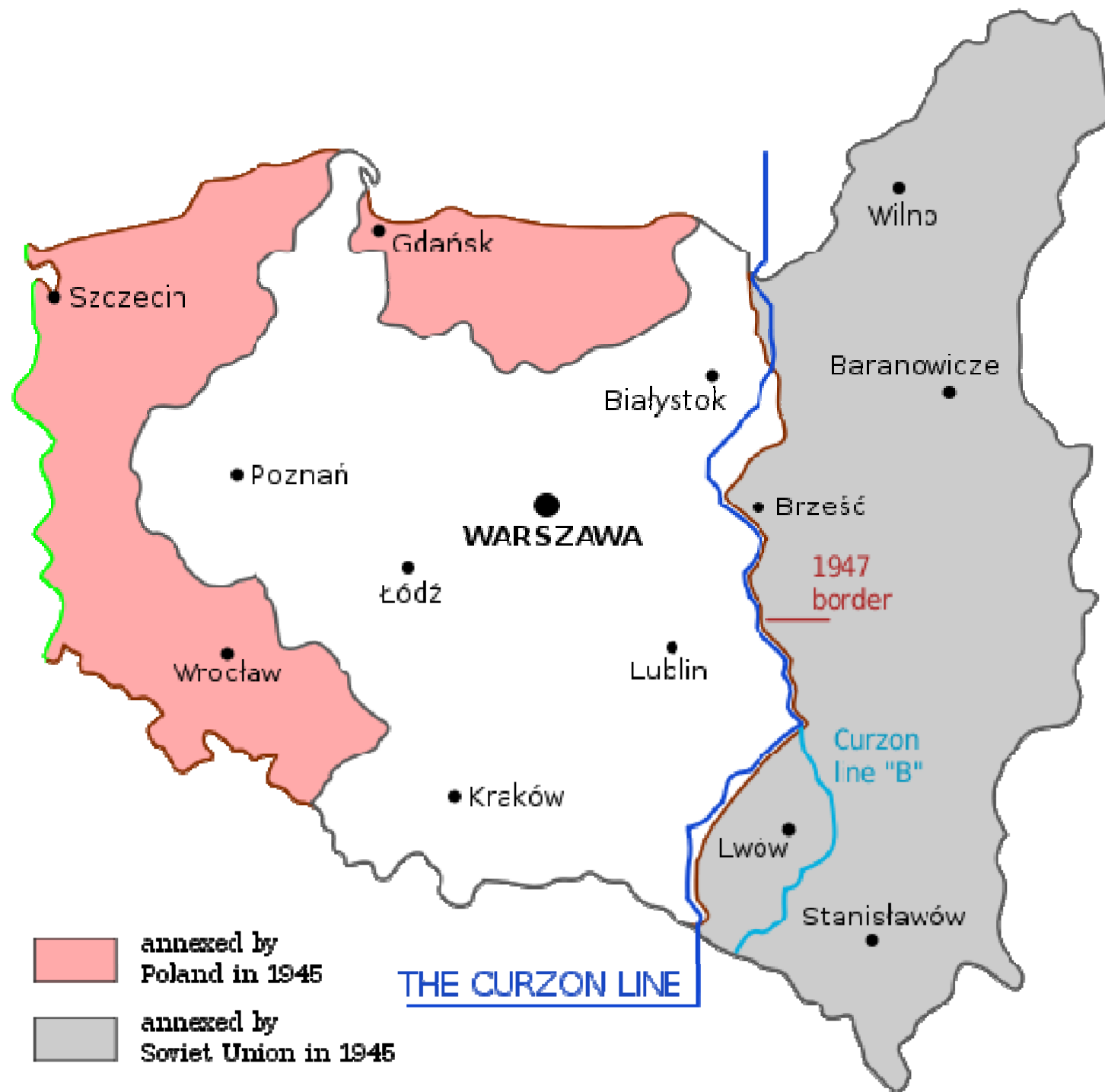


Poland after Versailles 1919-23



1939





Stalinizm 1948-1956

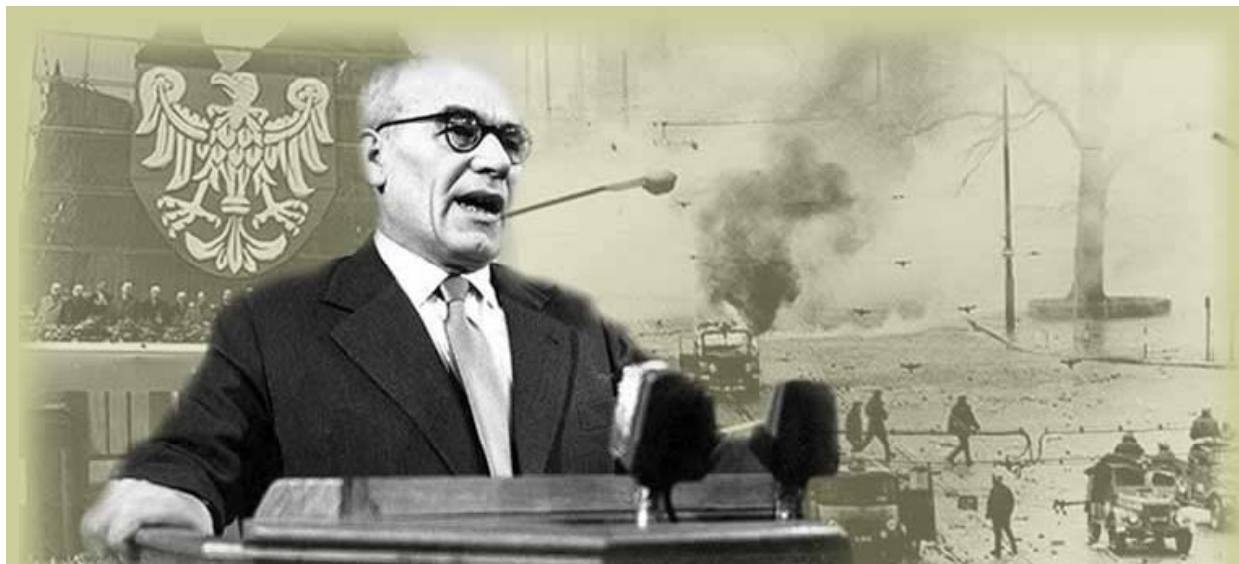
Bolesław Bierut

Joseph Stalin



Władysław Gomułka

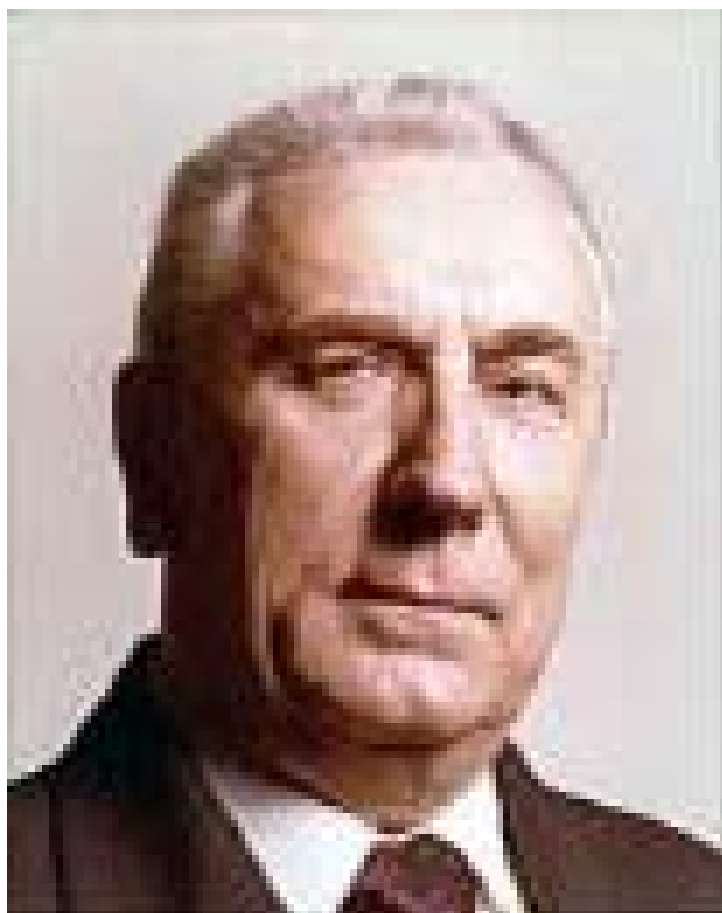
1958-1970





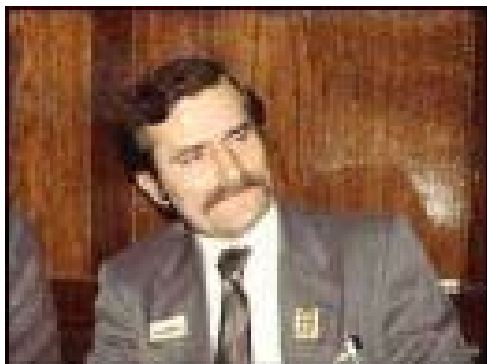
<http://waldemarchylinski.pl/page.php?id=11113037>

Edward Gierek 1970-1980





Solidarność 1980-81



1981, December 13 – Martial Law, general Wojciech Jaruzelski



Wojciech Jaruzelski ogłasza stan wojenny





22nd October 1988. The Round Table in Henryków furniture factory. *Photo: Henryk Rosiak / ADM/CAF*





General Czesław Kiszczak, Father Alojzy Orszulik, Lech Wałęsa.
Photo: Erazm Ciolek



Andrzej Wielowieyski, Jacek Kuroń.
Photo: Grzegorz Rogiński / PAI-EXPO



Stanisław Ciosek, General Kiszczak.
Photo: Erazm Ciolek



Tadeusz Mazowiecki, Lech Wałęsa, Władysław Frasyniuk,
 Zbigniew Bujak. *Photo: Grzegorz Rogiński / PAI-EXPO*

Solidarność



**W SAMO POŁUDNIE
4 CZERWCA 1989**

GŁOSUJ NA



Solidarność

The logo for Solidarność features the word in a bold, red, stylized script. Above the 'o' in 'Solidarność' is a red flag on a black pole, with the flag flying to the right.

Andrzej Giergiele

WYBORY '89





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 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.

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 1/4.

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 March 1999 Poland joined NATO.
- On 1 May 2004 Poland joined the EU.

- | | |
|---|---------------------------------------|
| • 1989 – June 4, June 18
Table agreement | Partly free elections based on Round |
| • 1989 – July
Poland | National Assembly elects President of |
| • 1990 – November/December
Wałęsa | Presidential elections won by Lech |
| • 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 |

2009



<http://www.tvp.info/informacje/foto/2009-w-obiektywie/1218664/maj-polska-zielona-wyspa-na-mapie-europy-kraj-obronna-reka-wychodzi-ze-swiatowego-kryzysu-fot-pap/1218698>

2010/2011



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):

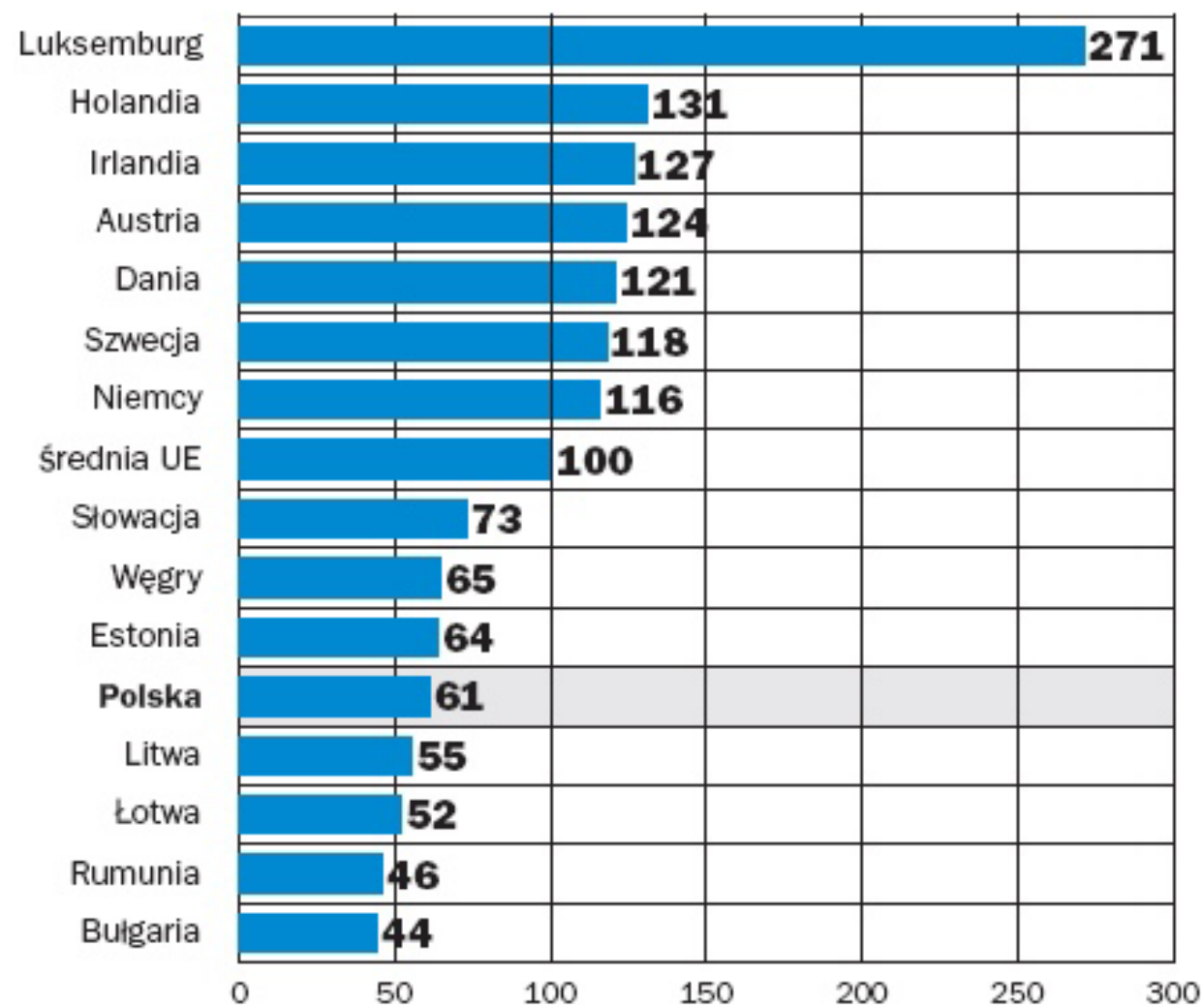
	BEST	WORST
•		
• 1939 and earlier	2%	1%
• 1939-45	0%	7%
• 1945-47	2%	2%
• 1948-55 Stalinism	1%	3%
• 1956-60	2%	2%
• 1961-69	6%	2%
• 1970-75	18%	2%
• 1976-80	15%	4%
• 1980-81 Solidarity	4%	11%
• 1981-88	9%	15%
• 1989-93	10%	13%
• 1994-97	21%	18%
• No period	9%	15%
• Hard to say	1%	5%
•		
• For the first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

Poland Today

- Political conflict and division
- Economy – unemployment, dropping GDP growth, poverty, divided society
- Emigration
- Poland in the EU

NAJBOGATSZE I NAJBIEDNIEJSZE KRAJE UE

PKB NA GŁOWĘ MIESZKAŃCA LICZONY WEDŁUG PARYTETU SIŁY NABYWCZEJ, ŚREDNIA UE NA POZIOMIE 100



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ŹRÓDŁO: EUROSTAT

GDP per capita in PPS (December 2012)

EU average (17 countries)	100
Luxemburg	271
The Netherlands	131
Austria	129
Ireland	129
France	108
Italy	100
Spain	98
Slovenia	84
Czech Republic	80
Greece	79
Portugal	77
Slovakia	73
Estonia	67
Hungary	66
Lithuania	66
Poland	64
Latvia	58
Romania	49
Bulgaria	46
Switzerland	159
USA	148
Albania	30

