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**PRIVATIZATION IN POLAND**

**Aleksandra Walczykowska**

# **PRIVATIZATION IN POLAND**

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## PRIVATIZATION IN POLAND

### Abstract

It is hoped privatization in Poland will play a significant role in building democratic political and social order by restoring economic interests as motivating factors for joint activity. It is assumed that positive effects can be achieved in the short and midterm, accelerating changes in popular attitudes toward more liberal and market type solutions. However, significant changes in the largest companies of the state-owned sector are not likely to be accomplished soon; thereby creating a barrier to rapid improvement in the system's efficiency and causing increased conflict and social unrest. Notwithstanding these difficulties, the thesis of this paper is that Poland has potentially the best chance among the post-Communist countries of East Central Europe to reach two goals simultaneously, i.e. to build both democracy and an efficient market economy within one generation.

## I

The so-called real socialist system was completely unprecedented and displayed its own identity and internal consistency. It was built upon the foundation of state ownership. Within model analysis<sup>1</sup> it can be argued that the central plan, the whole command economy, the specific multi-level structure of organization, its non-Weberian type of bureaucracy, the single-party system and the party leader's position within that system were the logical consequences of the elimination of private ownership.

The act of nationalization depriving private owners of their property put all citizens into the same legal position--that of state employees. By the same token, the organizers of production and exchange were eliminated. The profit motive as the stimulus for economic activity and the basis for economic decision-making disappeared. The market lost its real basis, i.e. agents and their interests were gone.

Thus the central plan had to substitute for market agents in their role of decision-makers. A multi-level bureaucratic structure of organization had to be created in order to make possible transmission of detailed decisions concerning all dimensions of economic life to the units at the bottom of this hierarchical pyramid. These units were not enterprises in the market sense. They were organizations directed from above, created for organizational purposes, dependent upon and controlled by the upper bureaucratic levels.

This seems logical until we ask one fundamental question: who is responsible for the allocation of decisions if the market is eliminated? The central planner must have criteria upon which to elaborate the plan. There were many theoretical approaches addressing this problem. But this basic issue was unsolvable even in theory. Simply, no substitute for the market as a mechanism to formulate society's preferences could be found. Political criteria

and the images of political leaders as to what that was best for the system, for the country and for themselves became the only practical solution. This very solution was at the heart of the system; the real reason for the creation of the system itself. The logic of the system's creators was the opposite of those who tried to understand it later. The group who turned over power, and the logic of the system itself, combined to put basic allocative decisions into the hands of one party's political leaders. The single party political system in the Soviet Union itself was the subsequent outcome of the elimination of private ownership. There was the room for only one large employee's party, which was ideologically the party of workers in large companies. Realistically, this was the party of bureaucrats and of those who wanted to participate in power at different levels and/or have access to special privileges and rewards used by the leadership to keep them in line.

The goals of those who created this party and later the needs of what they brought to life, pushed the whole construction in the direction of a centralized, monopoly. The reason was simple. Rationalization of control appeared to be the only possible substitute for economic rationality and past forms of social and political life as the operational principle for economic activity and management-mechanisms of personnel selection included. The latter stemmed from the fact that in the system where the state is the only productive force, economic interests are eliminated as the basis for group identification. The resulting atomized society is in some sense "pure stock" in the disposition of power and a hegemonic party apparatus is substituted for important social forces in their role of articulators of demands and organizers of social and political life.

## II

However, real life is always more complicated and far richer than any model, so the

countries of Central and Eastern Europe displayed no uniformity. Each developed a different variation on the model. From the very beginning, Poland had the most significant trouble accepting the system. The Poles were especially reluctant to adjust, even though the state in Poland displaced the relatively low degree of private ownership. After the six years of German occupation with six million people killed, changes in state borders, forced and voluntary migration of millions, imprisonment of thousands "as enemies of the socialist revolution" and about a million former army people abroad--a relatively small number of direct owners existed at that time. Some 24 million Poles survived the war in Poland, but many of those who owned private property had fled or died.

By any measure of construction of socialism in the countries under consideration, Poland was the most backward in this respect in the Soviet camp. Polish agriculture was not collectivized. Although small as far as its share in GNP was concerned, there was a relatively large number of private producer and private owners in the service sector. Notwithstanding pressure in support of secular authority, the influence of the church remained strong, and there had been traditional tolerance toward relative pluralism in arts and humanities. Polish political culture stressed individual above collective activity, not to speak of the historic antagonism created by Tsarist Russia's participation in the partition of Poland and subsequent political repression. Nor did the stationing of Red Army troops in Poland increase the popularity of the postwar system in which the Soviet Union was held up as the matchless standard by which to measure progress on the road to socialism.

The experience of Poland, where the formal remnants of private ownership existed throughout the entire consolidation period, confirm the thesis as to the importance of the predominant type of ownership rights as the basis for the way in which the economic, social

and political life of the population is organized. The state was the main owner, organizer, producer, investor and distributor, so the state (which in practice meant the party) organized, managed, and controlled the whole structure in an instrumental political way. Party bosses dictated the acceptable scope and the rules of the game for the private margin. Discipline, administrative coercion, in some instances, and repression--even moving toward terror, were the glue that gave the system the illusion of effectiveness. It should be emphasized that effectiveness itself was defined, measured and evaluated according to political criteria.

The remnants of formally private ownership<sup>2</sup> in Poland was reflected in a tokenly three-party system, coalition government and pluralistic representation in parliament. However, in truth, the Polish United Workers Party (PUWP), the party of the main owner, totally controlled its "allies"--the selection of their leaders, the resolutions of their committees and assemblies and the articulation of their goals.

From an analysis of Polish experience it can be seen, that for the socialist system to be in its own sense effective, there was no need to have many millions of members in the ruling party. Rather it was essential to eliminate private ownership completely, to control the institutions organized in such a way as to blur the division of power and responsibility for decisions taken and to transform the political, social and economic role of law into an dependent instrument of ruling party politics.

### III

There have been a variety of different scenarios of development and reform in Poland and in other Central European countries elaborated by political scientists in Western Europe, the USA and Poland. Generally, it was thought that the economy would be the easiest to change. In the 1960s and 70s this hypothesis was based on the widely held conviction that



the economic changes were to some extent "technical" problems, susceptible to 'technical' solutions. More market meant more independence for firms, less detailed planning, stimulus for increased production, more rational investment decisions and policy in face of the competition generated by the foreign trade. The presence of private farming in Poland as an additional factor usually completed the list of typical arguments supporting the conclusion.

The general view in those days was that such changes would rationalize the economic system and would be followed by changes in social relations; thereby leading to more significant social/political changes. The least hope was for changes in the political sphere. There was consensus of Western and Polish academic opinion that the Soviet Union would not allow significant changes in political dimensions in the European satellite/client countries.

As many times before, reality has mocked at the analysts. Political changes have proved to be historically the quickest and relatively easiest. Fundamental change in the economic system is much harder than was thought, but what seems to be the hardest task of all is the process of overcoming legacies of the socialist system in the popular consciousness--and thus the behavior--of the average citizen.<sup>3</sup>

Polish professionals in different fields have worked especially hard, to understand the logic of the system, to answer why attempts to reform it failed, and to articulate their prescription for a healthy economy. By the second part of the 1980s, the diagnosis based on consensus among the majority of professionals, new elites and party reformers was that to get significant improvement in the economy, the political system itself must be changed. It was on this basis that the elites formulated their long term vision of the transformation process. In September 1989, when the first postwar government headed by a non-communist prime minister was formed in Poland, the new elites supported by the

majority of the population put forward, as the long-term goal for the nation, creation of a democratic political system based on a modern, open market economy.

However, the starting point for this process was difficult and complicated. The so called "round table" agreement between Solidarity and Communist Party leaders in the Spring of 1989 included elements of political and institutional structure for the first stage of the transition. Most important, it restored the presidency with Jaruzelski as the agreed upon candidate and agreed to a freely elected Upper Chamber of the Parliament (Sejm). In the Lower Chamber only 35% of representatives were to be elected by democratic voting procedures; thereby assuring continued Communist control.

When Solidarity swept every seat that it contested, the Communist party lost control of the process. Solidarity aligned with two smaller parties and put together a coalition government with key posts such as the ministries of defense and internal security reserved for Communist Party people. Thus, the political game, that eventually resulted in the first non-communist prime minister in Poland in four decades, lasted three months. As dramatic as it was, that process carried within it serious seeds of future conflict.

The economy was weak and unstable; marked by massive shortages and a rate of inflation that led to economic transactions calculated in dollars rather than Polish currency. The new government inherited an economy burdened by a 43 billion hard currency debt to foreign governments and commercial banks. It had no credibility for new loans of any kind. As a consequence, the bargaining position of the Poland negotiating team for capital resources with the international monetary institutions such as the IMF and World Bank was that of the "younger (weaker) partner".

In return for offering support and the financial help needed for the Polish economic

reform program, these monetary institutions insisted upon a very rapid schedule for the restoration of market mechanism functions. While there was full agreement on both sides on the overall direction of the reform process, party leaders in Poland were worried and divided over the issues of the speed of the transition process and the specific set of instruments proposed and used. They feared the consequences for stability of the country along the road to the market; in the middle term so to speak.

#### IV

Poland is a special case, not necessarily because it was first to win its own "peaceful revolution," but because Poland paid the highest economic price for the decade of silent resistance that opened the way for the other East Europeans for a quick and sometimes (as in the Hungarian and Czechoslovak cases) less costly political turnover. One can argue with good-will, that Gorbachev's approval, and his renouncing of the Brezhnev Doctrine that threatened to use military means to 'save socialism,' was a decisive element. However, in the Polish case, so was the price paid in terms of economic decline associated with resistance to martial law dating from 1981.

Poland's significance rests primarily upon the fact, that Poland has potentially the best chance to realize two goals simultaneously--to build an economy compatible with developed western economies, and to reconstruct a democratic political system. This chance is based on consensus that under the circumstances the real key to reaching both goals lies in reversing the processes which started with the nationalization act. Positive changes in this sphere started in Poland in the second part of the 1980s. The most important included:

-informal ownership changes (so-called "nomenclature enfranchising") which led to an emerging new political elite and started the process of rapid development of a middle class which was insignificant in the past. This new political elite effectively searched for a new role other than being "the decision-makers". At the core of its vision of

needed change was the creation of new group economic interests.

-part of the organized opposition fired in the martial law period turned to private economic activity to make their living. This fact combined with the intellectual potential of the group's strengthened economic interest supported a new stage of their involvement in society and power.

-Support from the general social movement which was based partly on the illusion that the first positive signs of improvement in the material standard of living could be achieved relatively fast once the radical reform got started.<sup>4</sup>

Special comment is appropriate here. In part of the society pro-market attitudes are to some extent more natural in Poland than in other countries of the former Eastern bloc. Although three generations of East Central Europeans were raised in subnormal conditions, the resulting deterioration in the public consciousness seems to have been less in Poland than elsewhere. The historically rooted tradition of resistance against authority influenced the way new Polish generations were brought up by their families. The concern for history and tradition so necessary for the survival of the nation after it disappeared from the map of Europe at the end of the 18th century, closer and more continuous cultural contact with Western Europe, and ties with relatives and friends in exile, all influenced education in letter and spirit; thereby the posture of teachers and students as well. Individual pro-market attitudes in Poland were manifested in the 1980s in ways that were shocking and disappointing for many but that were an advantage for the economy as a whole. Those attitudes are strengthened now by complete freedom to engage in all kinds of economic activity.

An important legacy of socialism which has proven harder to overcome, however, is a specific psychological barrier in the form of an obstacle in the process of reconstructing democracy at the bottom level. This is a reluctance to create associations, foundations, non-profit organizations, etc. to realize the goals of smaller social groups. Whereas this kind

of social activity has emerged and is developing, it is still weaker than individual economic activity. Its importance for economic well-being and for democratic development cannot be overestimated any more than can the importance of a significant middle class for pro-market ideas and behavior.

In sum, the long-term goal for the society and the nation has been defined, and the knowledge needed to reach it is relatively high. The majority of the population strongly supported the first stage of economic shock therapy named by politicians and journalists alike the 'Big Bang' program. Drastic fiscal and monetary measures have been successful in restoring market equilibrium and reducing inflation. Eliminating the capital goods rationing system, withdrawing subsidies, liberating prices, introducing real positive interest rates and internal convertibility of zloty together with freedom of economic activity dramatically changed the operating conditions for companies and created economic opportunities for enterprising citizens. However, households paid a heavy price for these successes. The purchasing power of savings was drastically decreased, while the real value of wages and salaries fell by 1/3 in the first part of 1990. The shock was worse because for the majority of households the level of income before the "operation" was very low, pegged to the old system's government-subsidized, low prices in the past. After the first two months of 1990, households in Poland had to face western-level prices, while having less than the former 'socialist' level of income to cover expenses.

Nevertheless, the Poles are committed to economic transformation. There was consensus that pensioners, children and the disabled must be sheltered from the full impact of the consequences, which simply meant that the burden of 'cleaning up' the ground for the next stage of economic changes was put mainly on the shoulders of those who were

employed in the state-owned companies or paid by the state budget.

The distinctive feature of Poland in this regard is that the goal itself is consistent with traditional values of Polish society. Democracy and market appeal to concepts rooted in Polish traditions and that realization came when real social and economic processes prepared the ground for the transformation. Some processes like the completely new framework for the market economy can be accelerated. Some like reconstruction of the grass roots for democracy at the very bottom must be indigenous and natural to be strong. In this sense the overall perspective for Poland looks much better than in neighboring areas despite the current differences in Poland's and those countries success at publicizing their real achievements.

## V

The long-term goal is considered obvious and logical by professionals and people in Western countries because it is in accord with their experience, background and knowledge. However, it is a problem that the language used to identify and describe economic phenomena in formerly Socialist countries is taken directly from western economies where its meaning is established and tied to well-developed markets. This complicates communication. It has consequences for the scope, timing and the kind of help offered, and, practically speaking, the help that is offered is not always that which is needed. No one has ever before made the transition from an internally consistent socialist system to the market and democracy. It is easier to communicate about the problems involved in reconstructing democracy in the sense that the language developed for this process is able to cover much more universal experience under a variety of conditions.

Unfortunately at this stage this is not the case with the language used to formulate economic problems of transition.<sup>5</sup> The frequent outcome is thus misunderstanding,

impatience and discouragement on one side, and not well suited expertise and suggestion of inappropriate instruments on the other. For example, take the idea that liberalized, equilibrium prices provide a good start toward "marketization" by creating conditions and mechanisms for gradual withdrawal of the state from the economy. However, in the beginning free prices are not able to perform that function until the market infrastructure is in place and an environment has been created to adjust processes that do exist. This is essential before free prices should be considered even as an option on the micro level.

Let us look at another example. In market economies, recession is a basically cyclical and/or structural problem. In the former socialist countries, it has basically a systemic context; therefore the known regulatory instruments of macropolicy are insufficient here. There are a variety of reasons, but this is so primarily because the target of such policy must be created before those instruments can be applied.

The concepts and instruments of regulatory policy tested and frequently offered as a solution to post-Communist systems were developed for the situation where the full market infrastructure (for goods and services, labor and financial flows) is well-established. Unfortunately, an elementary market order will not appear in those countries until it is created. Thus, the fundamental task (aside from current, short-term problem-solving needed for the economy to survive) is to formulate and introduce the public policy to create both: a new structure of economic subjects and a new legal and institutional infrastructure.

In this sense, while liberalization of prices is needed, it solves none of the serious problems at hand. Meanwhile it is not possible to begin overcoming the recession or the process of restructuring the economy until the fundamental elements of the new economic system are completed.<sup>6</sup>

This is not to say that the economic knowledge, skills and experience of the west are useless, that the requirements of international financial institutions are totally counterproductive, or that the expectations of western businessmen towards their counterparts are totally unrealistic. It is only to make clear that at this stage both sides must be cautious to be sure about the real nature and the roots of economic difficulties because familiar symptoms in still basically state-owned and monopolized economies frequently have a different nature, are symptoms of a different disease so that the standard remedies developed to treat the ills of market economies in some instances are likely to have unintended side effects--to worsen rather than improve the situation.

Contrary to some popular assumptions, from this point of view the countries of Central Europe are in a similar situation. For Western observers the current most visible difference between Poland and its neighbors appears to be the fact that aside from its achievements to this point in time, including new legal and institutional structures, Poland is in deep recession. This difference is deceptive. In reality, Poland now has behind it what other post-Communist countries of the region still have ahead. The deep recession and the need for broad restructuring are in some sense inherent in all command economies attempting to introduce market economies. This is a common legacy.

Today's deep recession in Poland is the price paid for total transformation, while recession in the other countries in Central Europe (excluding former East Germany) stems from the old system's barriers to growth and development. The will to overcome the many-dimensional legacy of the socialist system, to transform the system as a whole shows the uniqueness of the Polish situation and the formidability of the task itself.

In this context, the problem of Poland's huge external debt must be taken into



account. At this stage it is not important what government contracted the debt for what purposes, or what the arguments and motives were of those who gave credit lines in the past. The tough reality is that starting on the road to the total transformation with 46 billion hard currency debt--even without single dollar of financial help in the meantime--with a 10% interest rate, Poland would be in debt by 76 billion within five years. Debt servicing could reach 80% of the country's total export value. No stabilized, developed market economy could bear such burden. If there are vital interests of the West in the success of the transformation of the largest country of the European former socialist camp--bold political decisions to reduce the debt must be made. The whole set of arguments that Poland is not the only, and even not the most per capita, indebted country in the world miss the point. Long term interests of creditor countries in the potential success of the Polish transformation, on the one hand, and the consequences of taking away any chances to achieve such success despite the commitment, burdens and efforts, on the other, must be weighed together. That is why the ultimate decision in this case is a political one. Arriving at a formula, and the practical implementation of that formula, are professional tasks but not the decision itself. Western realization of this problem was undoubtedly behind the decision for a 50% reduction of Polish debt that was announced from Paris in March 1991. But it does not mean that the burden of debt service in limiting opportunities is over for Poland. The decision meets absolutely minimal requirements if it is to have any practical sense. Poland must now negotiate bilateral agreements with creditor countries. Wide scale and indepth understanding of the complexity of Polish task is needed to enable deeper bilateral reduction, to find a practical formula and instruments of implementation which are fully consistent with Polish possibilities for transformation.

## VI

As mentioned earlier, the general logic of the Polish systemic transformation is based on the assumption that the market economy will constitute the real basis for our democratic political system. The market economy itself needs as its roots a new structure of economic subjects whose reactions to the market signals reflect competition, hard budget constraints and profit motive as the criteria for their economic decisions. This must be a structure in most instances based on different forms of private ownership. In this way, privatization in Poland is perceived as multi-dimensional in social, political and economic aspects as well as in long-run outcomes.

The political aspects, however, have different meaning than those which accompanied the wave of privatization (or deregulation as in the U.S.) in the late seventies and in other western countries in the 1980s. Unfortunately, it is not a 'simple' shift between political forces within a stable well-developed system with consequences for the degree of responsibility of government and market as mechanisms for allocation of resources.

Generally speaking, revitalization of private ownership is assumed to be fundamental for the social and political processes needed to reconstruct democracy and the market system itself. With regard to the social aspect of the process, there is a great need for people to be active in different ways at local, regional, and state levels. There is a need for some wide scale social movement similar to the Solidarity movement in the past but with reformulated goals. The effort this time must be directed toward solving local and regional problems by the people themselves within the framework created and agreed upon locally and regionally. Altruism and a high level of social and political sensitivity are valuable characteristics of human personality, but not politically reliable in the long-run. Individual and group interests

can be a much broader and rational stimulating force to count on in this respect. Private ownership is assumed to reflect group economic interest and to force people toward organizational forms suitable for achieving specific group goals. This is the foundation of a pluralistic society. It is assumed that in the process, the mentality of part of the society will be changed in a more liberal (in European sense) direction, and that rediscovered economic interests will provide the basis for the relatively stable political parties and programs in future. The relatively small and weak middle class in Poland currently cannot play its stabilizing role similar to its counterparts in mature democracies. Private ownership is the way to widen its scope, strengthen its stabilizing role, spread its values and attitudes and at the same time create material roots for a general climate favoring individual social and political activity.

Despite the great number of parties currently registered in Poland, the society has been generally resistant to this form of political activity. Sociologists point to a kind of anti-party syndrome. This kind of syndrome on the one hand and more than 100 parties, on the other, are not an appropriate base for stable democracy.<sup>7</sup> So, despite some of the valid objections to the interest group type of democracy, at the beginning of the transformation process the idea of creating a system based on pluralistic interest groups may be the most realistic option under the existing circumstances. The process of radical reform on the road to a modern market economy requires strong, long-term support but also a relatively efficient political system to reconcile emerging economic conflicts. Although it could be argued that a benign authoritarian system would have to be more politically efficient at the very beginning, this is not a realistic alternative in the near or more distant future. For Poland, it is not a socially or politically acceptable alternative in any case.

The political task is to find our own form of democracy. The new constitution is supposed to formulate general principles in this respect. Stress should be put, however, not so much on ideas as on the processes themselves because the existing reality cannot be abandoned and replaced from one day to another by some radically different reality. The advancement of the processes in question distinguish Poland from our neighboring countries. In this sense Poland--one nationality in one nation--potentially has the best chance to build stable a democracy within one generation.

The irony is that what could be one of the important accelerating forces in the process, namely rapid and wide privatization, is contradictory in practice to the needs of economic efficiency in the short run. In the majority of cases, to be market oriented, productive and innovative, companies need owners behaving like owners by risking their own money in decision making. Unfortunately, there was not enough domestic capital to buy out the majority of the state-owned companies and thereby to privatize the economy quickly so that the scale of financial risk to new owners could motivate their new behavior. Individual savings were low in the past as the consequence of the state policy and were largely eliminated in their real purchasing power in 1990 by the tough monetary policy introduced to take away an excess of liquidity from the market combined with the liberalization of prices--both needed to restore market equilibrium. But in practice this meant that whatever known technique is used--the so called capital (or British) way of privatization is closed in the short run.

From the moral, social and political point of view, it looked attractive to give each citizen a voucher of the same face amount to compensate for past consumption sacrifices, to dispose of freely later on the newly created financial market for buying equity shares of

privatized companies, but this strategy basically missed the economic point. Moreover, its implementation could have many potentially dangerous consequences in the future. The poor majority would be likely to sell newly bought shares at once, which in the worst case would have destroyed their market value, undermining at the same time the role of the financial market at the first stage of its existence. Another serious consequence could be that a small group could gain control of property rights to production capabilities paying almost a symbolic price for future economic power and creating a bipolar income structure within society. No serious economic problems can be solved by substituting a small group's private monopoly for the previous State monopoly. On the contrary, it creates new potentially serious difficulties.

Such vouchers, however, are considered the most serious option open to the government to clear up issues between the state and former owners. They can be reasonably used as an equivalent for the part of past profit losses in the reprivatization process because relatives of the former owners are small in number in Poland and not many former owners abroad are expected to return.

Privatization of small and middle-sized state owned companies can and is proceeding relatively quickly. The bill passed in June, 1990 opened the doors for many privatization techniques such as a Polish stock market, transformation into ESOP-type companies; full employees' companies; cooperatives; bankruptcy and auction of the assets of liquidated firms, leasing and so on. Their common feature is that the process itself and the choice of specific technique is based on economic and not social egalitarian criteria.

Unfortunately, at the moment, the "big" privatization on a significant scale can not be done as quickly as the economy at large needs.<sup>8</sup> Those needs include short-and long-run

anti-recession imperatives: i.e., clear legal status of the enterprise combined with clear decision-making responsibilities; more flexible allocation of resources and adjusting reactions; accepting responsibility for the strategy developed and financial resources found to cover the needs.

Realistically speaking, in the next 2 or 3 years, the best that can be hoped for is that the economy can gain prosupply and microrestructuralization effects from the privatization of small and middle-sized companies and some benefits from the improvements introduced in large-scale, still state-owned enterprises. The planned improvements would come potentially from two main sources:

- a more competitive, market environment outside the current structure managed by the government

- some changes introducing elementary order into responsibility for decision-making inside the state companies, combined with buyer market conditions and hard budget constraints. This is to be introduced by changing the legal form of big companies from the current ambiguous ones into joint stock companies with 100% of equities owned by the Treasury of the State.<sup>9</sup>

In this way, the game in 1991 and 1992 will be played to achieve selective, piecemeal successes. This is much better than nothing, but much less than what is needed. The positive side is that in some sense it buys time to think about how to avoid mistakes so that it will be possible to act quickly when the ground is prepared and there is a consistent plan. The reservation "in some sense" refers to the unavoidable price which must be paid under the circumstances; the price of additional social/political tensions.

However, time is needed to find the "golden centre" between real possibilities and urgent needs. Poland is in a situation in which there seems to be no good solution in the short run that will allow us to achieve many goals simultaneously. What makes the problem worse is that these goals are closely tied together. Besides, at this stage great prudence is

needed to help create the new structure which would be competitive enough, but, at the same time, strong enough to face the challenge of new techniques and of future outside competitors.

It is not assumed that the hopes attached to privatization can solve all basic problems. That would be an extreme, orthodox and stupid attitude. The degree of complication, contradictions, multi-dimensional outcomes of decisions all call for unconventional ideas, decisions, instruments, and reactions. What was learned from the experience of the outside world; however, is that although the market itself is not the guarantee for development and a high standard of living, there is no possibility of achieving these goals without it. The real market cannot exist without private owners organized in the variety of forms. In this sense privatization is the key to the market because it can create and constitute its own roots. The long-term goals of Poland are much wider, but privatization can be helpful to reach them as well.

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**ENDNOTES**

1. Sec: J. Staniszkis, Outologiz Socializmu; In Plus; Warsawa, 1989.
2. The non-state sector in Poland was bigger than that because cooperatives existing in different sectors had formally non-state legal status although in practice they were included in the state sphere. The problem with private ownership rested upon the fact that interpretation of the law by the state judiciary created legal ambiguity and uncertainty for the owners.
3. The outcome of those processes was the fundamental for "the round table" with Solidarity agreement in the Spring of 1989 on the party side.
4. This enthusiastic support made it possible start to the transformation by the shock therapy which, within a few months of 1990, dramatically changed the economic environment in Poland.
5. Janes Kornai's efforts to develop such language are worth noticing. See for example J. Kornai: Economic of Shortage, Amsterdam, Holland 1980.



6. Assuming that the new government does not want to allocate resources as in the past and repeat similar mistakes. It is not to say that the state is absolutely dispensable here. The general problem is that in the beginning there is no market criteria for such decisions.
7. The experience with a multiparty (but weak) party system without strong central parties looks discouraging.
8. The majority and most important parts of production capabilities are organized in large monopolized structures owned by the state.
9. Treasury of the State newly created institutions are self-financing and responsible for selling and buying of equities at its disposal.