

*Łukasz Dwilewicz**

POLISH STATE POLICY ON INDUSTRY BETWEEN 1918 AND 2018

This article appears in its original form in Polish in “Kwartalnik Kolegium Ekonomiczno-Społecznego Studia i Prace”, no. 3(35)/2018. The following translation was prepared by an external translator.

Abstract

The paper deals with the Polish industrial policies and the development of Polish industry during the last hundred years. In the interwar period, the turn towards the state's active policy in the industry took place under Deputy Prime Minister Eugeniusz Kwiatkowski. The most intensive state-sponsored industrialization took place. However, under the communist rule, especially the three decades between 1948 and 1978 the situation changed radically along with the systemic transformation. The end of communist-era dogmas associated with central planning was accompanied by a universal tendency towards industrial restructuring, lasting in developed countries since the 1970s. Despite heavy losses in industrial employment, the restructuring process can be viewed as successful, especially in terms of international competitiveness.

Keywords: economic history of Poland, industrial policy, industry in Poland, Poland in the 20th century, state interventionism, central planning, systemic transformation

Introduction

The first years of independent Poland saw the integration of the lands of all three partitions and the struggle for a favourable border shape. In the absence of stabilization in the economy and the prevalence of post-war views on the basic advisability of minimizing state interference in the economy during peace, it proved challenging to develop a long-term policy on the industry. Numerous changes in governmental offices also did not help in this regard.

* Collegium of Socio-Economics, SGH Warsaw School of Economics.

The scale of the challenges facing Poland at the time was considerable. The fundamental setback was the issue of war losses in most industries caused by the evacuation of the western empire territory by the Russian army in the first years of World War I, as well as by the plundering policy of the German authorities in the occupied territories. This was the question of losing market outlets, a factor which, according to former predictions of Rosa Luxemburg, was to make it impossible to base the Polish statehood on lasting foundations. In the case of the textile industry in Łódź and Białystok, the Russian market disappeared. Mining in Upper Silesia, under the Upper Silesian convention, had maintained duty-free access to the German market until 1925 but then suffered during the Polish-German customs war. What remained was the internal market as well as searching for new export markets.

The situation was additionally complicated by the increasingly uneven nature of both industries and the resulting poor growth prospects. European textile industry was struggling with problems throughout the interwar period. Many bankruptcies of the time suffered losses due to financing the textile industry, the intensity of which phenomenon occurred during the Great Depression (e.g. Banque d'Adam in France, Creditanstalt in Austria, Danat Bank in Germany).¹ In the interwar period in Western Europe, the share of the textile industry in industrial production drastically decreased but the share of modern industries saw an increase. However, the opposite was true in the case of the new Central European states (Czechoslovakia, Austria, Hungary), where textile manufacturing reorganized by post-war political disintegration (Austrian spinning was detached from Czech weaving) and customs protectionism became highly ineffective. In less industrialized countries there was a frequent increase in the role of the textile industry in the domestic industry (Yugoslavia, Romania, Bulgaria). In Poland, however, the burden of the Russian market contributed to its reduction.²

With regard to black coal, after 1918, Europe had structural surpluses in mining production and in closely related heavy industry. The legacy of the age of steam struggled everywhere, with unemployment burdening the most developed economies of Germany and Great Britain as early as in the mid-1920s.³ Structural changes created an additional challenge for the Polish authorities as the years went by. In the 1930s, Polish mining underwent major restructuring, while the position of the food

¹ B. Eichengreen, *Hall of Mirrors*, Oxford University Press, Oxford–New York 2015, pp. 110–112, 134–145.

² I. Berend, *Decades of Crisis. Central and Eastern Europe before World War II*, [Kindle version], University of California Press, Berkeley–Los Angeles–London 1998, 54–55%.

³ *Ibidem*, 52%; R. Findlay, K.H. O'Rourke, *Power and Plenty. Trade, War and the World Economy in the Second Millennium.*, Princeton University Press, Princeton–Oxford 2007, p.437.

industry strengthened, benefiting from cheap, local raw materials, and the more modern industries – the chemical, machine and electrical industries.

The factor that influenced the shape of the state's policy towards industry was the fact that the main economic department was the Ministry of Treasury, controlling the entire state finances. The Ministry of Industry and Trade had a secondary position. It was budget stability that was the priority, not stimulating economic growth or shaping a modern industrial structure. Considering the state of public finances in the first years of independence, it was rather a natural choice.

To sum up, at that time Poland had neither a developed internal market nor financial surpluses for investment purposes. The economic cooperation with foreign countries was difficult, either in the form of an inflow of capital to Poland or increased access to foreign markets. The attitude of the elites was not particularly favourable, with a strong lobby of the agricultural industry. The choice of development path was being considered for a long time. The economic policy was trying to either balance the interests of agriculture and industry (1918–1926) or openly favoured agriculture (1926–1935). The main factor conducive to industrialization was a large surplus of labour.⁴

Paradoxically, the first years of Piłsudski's rule were the first truly statist episode in the economic policy. Eugeniusz Kwiatkowski was the then Minister of Industry and Trade (June 1926–August 1930). The country's economic situation was the best in the entire interwar period. However, the situation was not fully taken advantage of – the stabilization loan granted to Poland by American capital was not used to increase the cash flow but to strengthen the zloty cover. As the indirect stimulation of the economy through monetary policy was abandoned, the state's investment possibilities in the industry were even more limited. The main industrial investment was nitrogen plants in Mościce near Tarnów (1927–1930). The first attempts were made to locate the armaments industry in the so-called security triangle in the fork of the Vistula and the San. With the advent of the Great Depression, Kwiatkowski's career collapsed, and the economic policy was determined by attempts to protect the stability of the zloty and restore budget balance, which resulted in a prolonged duration of the crisis (until 1935) and one of the largest industrial production collapses in the world (by over 40%).

Regardless of the reluctance of the majority of Piłsudski's cohort to engage the state directly in the industry, efforts were made to limit the effects of the production

⁴ J. Luszniwicz, *Druga Rzeczpospolita. Wzrost podporządkowany integracji i modernizacji gospodarczej*, [in:] *Polskie osiągnięcia gospodarcze. Perspektywa historyczna*, J. Kaliński, (Ed.), Wydawnictwa Akademickie i Profesjonalne, Warszawa 2010, pp. 148–149.

slump on the entire economy. Quite rightly one of the main sources of the scale of decline was seen in monopolistic practices. Hence the numerous actions by the state in the field of competition policy, for instance the creation in 1933 of a separate judiciary for cartels, whose achievements included the breakdown of the most burdensome deals for the rest of the economy, e.g. in the cement industry.⁵

The Great Depression resulted in the unintentional etatisation of the economy. The necessity of bailing out failing banks by Bank Gospodarstwa Krajowego (BGK) resulted in taking over their industrial assets. Around the institution designed as the lender of last resort for the banking sector, a highly diversified industrial group emerged. The situation was similar to the Italian one, where IRI (Istituto per Ricostruzione Industriale) was established to manage the assets of nationalized banks.

The sector in which the etatisation made the most progress was the armaments industry. It resulted from the military's willingness to directly control the production of armaments and ensure material self-sufficiency during the war. With the scarce funds for purchases by the army and the growing production capacities of the arms industry, export, actually developing until the outbreak of the war, was necessary to sustain production. This concept was adapted to the conditions typical of World War I and was negatively verified by Blitzkrieg.⁶

In connection with Kwiatkowski's return to politics, as the Minister of Treasury and Deputy Prime Minister (October 1935–September 1939), the final victory of pro-industrialization tendencies in the state economy and the development and implementation of state long-term investment plans took place. The effect was the four-year plan (1936–1940), set out as early as before the outbreak of the war, whose most ambitious undertaking was the construction of the Central Industrial District, with the processing part located in the security triangle.

The fifteen-year plan announced several months before the outbreak of the war (1939–1954) was mainly of a propaganda nature. At the outbreak of the war only financial targets for the first of the five three-year subperiods were known.

The Second Republic of Poland did not manage to reach the pre-war level of industrial production (in 1938 it was 5.5% lower than in 1913 and 18% lower per capita). On the other hand, compared to the situation after the war, significant progress was made (an increase of over 50% in 1922–1938 and 20% per capita). The distance

⁵ J. Luszniwicz, *Druga Rzeczpospolita. Wzrost podporządkowany integracji i modernizacji gospodarczej*, [in:] *Polskie osiągnięcia gospodarcze. Perspektywa historyczna*, J. Kaliński, (Ed.) Wydawnictwa Akademickie i Profesjonalne, Warszawa 2010, pp. 148–149.

⁵ A. Podolska-Meducka, *Polskie ustawodawstwo kartelowe w latach 1918–1939*, Wydawnictwo Sejmowe, Warszawa 2003, pp. 173–208.

⁶ M.P. Deszczyński, W. Mazur, *Na krawędzi ryzyka. Eksport polskiego sprzętu wojskowego w okresie międzywojennym*, Neriton, Warszawa 2004, *passim*.

to the most economically advanced countries was not reduced, which was partly achieved in other countries of our region. In the internal dimension, as large inter-regional differences in the production level remained, the significance increased of the internal market merged from three different parts. Poor production results characterized industries related to the markets of the partitioning powers before the war.⁷

The final transition of Poland to interventionism, associated with modernization plans, was typical for countries which were at the time similar to the Polish level of economic development. It differed fundamentally from the interventionism of democratic countries, which strove, above all, to improve the situation of the most stricken population strata, as well as from the interventionism of Fascist states, which engaged in expanding the military potential for the purpose of future territorial expansion. The policy of dictatorships from our part of Europe (Hungary, Yugoslavia, Bulgaria), the Iberian Peninsula (Portugal) and South America (Argentina) had a similar character to Poland's.⁸

1. The period of the People's Republic of Poland (1944–1989)

The industrial policy of the People's Republic of Poland (1944–1989) was determined by multiannual plans and adjusted under the influence of the inability of a centrally managed economic system to achieve the assumed proportions of growth. The reference point was primarily the Soviet experience, even if in selected periods it was attempted to develop a specifically Polish variant of 'real socialism'. This was accompanied by challenges resulting from the adoption of 'socialist industrialization' giving priority to capital goods industry, such as, among others, high capital intensity and lower than expected investment effectiveness and pace of technical progress. It was also impossible to reorient the structural preferences once granted – the capital goods industry and mining became strong pressure groups within the system, ensuring a proper share in investment expenditures, which limited production to the sphere of consumption and indirectly led to social tensions and protests. Regardless of the systemic constraints, we need to mention the beneficial effect of shifting the borders to the west, boosting the position of industry in the country's economy.

⁷ J. Luszniwicz, *Druga Rzeczpospolita...*, op.cit., pp. 168–171, 176–178; Z. Landau, J. Tomaszewski, *Zarys historii gospodarczej Polski 1918–1939*, Książka i Wiedza, Warszawa 1999, pp. 290–297, 316–317.

⁸ J. Luszniwicz, *Interwencjonizm państwowy w latach trzydziestych XX wieku: przypadki Wielkiej Brytanii i Francji*, [in:] *Od Wielkiego Kryzysu Gospodarczego do Wielkiego Kryzysu Finansowego*, J. Kaliński, M. Zalesko, (Eds.), Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2009, pp. 146–147.

Communists from the Polish Workers Party (Pl. Polska Partia Robotnicza – PPR), the strongest of all political parties stressing the need for industrialization, took over the control of the country, and – simultaneously – power over industrial policy. From December 1944, the issues of industrial management were mostly in the hands of the Ministry of Industry headed by Hilary Minc.⁹ The apparatus of the Ministry and its Central Industrial Management (Pl. Centralny Zarząd Przemysłu – CZP) from the very beginning was controlled by the PPR. As time passed, this state of affairs became established. In 1948, in the CZP 13 out of 17 of the general directors belonged to the PPR, as did all staff managers.¹⁰ The influence of the PPR was partially offset by the dominance of the Polish Socialist Party (Pl. Polska Partia Socialistyczna – PPS) in the Central Planning Office (Pl. Centralny Urząd Planowania – CUP), managed by Czesław Bobrowski, lasting until the so-called CUP discussion in February 1948. The transitional character of the period of consolidation of communist powers between 1945 and 1948 and the destruction caused by the war meant that the acceleration of industrialization had to wait.

Even before the war, the Polish industry was largely etatised, and the state's takeover, after the liberation, of ex-German property and the abandoned private enterprises boosted its role in the industry. The Nationalization Act of January 3, 1946 mainly sanctioned the actual changes from 1944–1945. German property was ultimately nationalized – all enterprises in 17 branches considered particularly significant as well as enterprises employing more than 50 workers per shift in other industries. As a result, in 1946, the share of the state sector in employment in industry (excluding small craft) was 81.8%, while the share of the private sector reached 10.6%. In 1948, the state-owned industry employed 88% of industrial workers.¹¹

This situation meant almost the PPR's full control over industrial production even before the acceleration of industrialization. The control of the Communist Party over the industry through the system of the so-called 'nomenclature' survived virtually until the end of the system.

Most of the investment outlays in the years 1945–1947 were directed at the reconstruction of the destroyed communication and communal infrastructure, followed by expenditures on the industry. In the state investment plan for the last three quarters of 1946, the industry's share in the final implementation of the plan was 29.2%, while total expenditure on communications, shipping and ports consumed 41% of the

⁹ J.W. Gołębiowski, *Nacjonalizacja przemysłu w Polsce*, Książka i Wiedza, Warszawa 1965, pp. 174–177.

¹⁰ J. Chumiński, *Ruch zawodowy w Polsce w warunkach kształtującego się systemu totalitarnego 1944–1956*, Wydawnictwo AE im. Oskara Langego in Wrocław, Wrocław 1999, p. 123.

¹¹ J. Kaliński, *Polityka gospodarcza Polski w latach 1948–1956*, Książka i Wiedza, Warszawa 1987, p.22; Rocznik Statystyczny 1948, GUS (CSO) RP, Warszawa 1949, p. 61 and calculations based on it.

actual expenditure.¹² A bigger change could be observed only in the investment plan for 1948 – the share of industry in the plan was to reach 36.6%, and in the course of implementation, the performance reached 44%. Similar proportions were recorded in 1949 with a large increase in outlays and a turn towards the domination of heavy industry, mining and energy typical of the Soviet economy.¹³ In total, the period of the three-year plan (1947–1949) was marked by a considerable pro-industrialization turn that enabled the transition to the Soviet-type industrialization in the six-year plan (1950–1955).

The six-year plan was elaborated by a new line-up of institutions – under the Act of February 10, 1949 the Central Planning Office (pl. Centralny Urząd Planowania – CUP), characterized by limited competences, was replaced by the State Commission for Economic Planning (Pl. Państwowa Komisja Planowania Gospodarczego – PKPG), which was headed by Hilary Minc. Industrial production was to increase in 1955 compared to 1949 by 158% (production of large and medium industries by 136%). At the beginning of 1951, adjustments to the already established plan appeared, increasing the preferences for heavy and armaments industry, as well as additional expenditures for the development of transport infrastructure on the east-west line, which resulted from the Soviet plans for a war in Europe. It destabilized the investment process and impaired the consumer industry.¹⁴

In the annual plan for 1952, the share of industry in investments exceeded 48%, and the share of the compact goods industry in total expenditures on industry reached almost 85%. In fact, the industry's share jumped to 54.2%.¹⁵ This meant superseding other tasks by industrial investments during the implementation of the plan and higher than assumed their capital intensity. At the same time, the disorganization of the investment process contributed to lower than assumed production and rapid deterioration of cooperation in industry, resulting in shortages in supply and production plant stoppages.

After Stalin's death, the time came for a critical analysis of the implementation of the plan and its assumptions, without violating its basic directions. The 9th Plenary Meeting of the Central Committee of PZPR (Pl. Polska Zjednoczona Partia Robotnicza) in October 1953 made some pro-consumption turn, but without reorienting

¹² Report on the implementation of the Act of September 20, 1946 – on investment planning and on the investment financing plan for the period from April 1 to December 31, 1946 (Journal of Laws No. 56, item 318), CUP, Warszawa 1947, duplicated printing from the collections of SGH library, pp. 6–7, statistical annex after p. 142 and calculations based on it.

¹³ J. Kaliński, *Polityka gospodarcza...*, op.cit., pp. 52–57; *Plan Inwestycyjny na rok 1949. Wojewódzkie Plany Regionalne*, CUP, Warszawa, n. d., summary list without paging and calculation based on it.

¹⁴ J. Kaliński, *Polityka gospodarcza...*, op.cit., pp. 59–79.

¹⁵ *Ibidem*, pp. 80–81.

the investment process – only the equalization of the expenditure growth for A and B goods was announced. Deepening of the changes was brought about by the Second Congress of PZPR in March 1954, meaning a return to the original proportions of the six-year plan, as well as the adoption of temporary preferences for group B. As a result of the slowdown in investment expansion, the share of industry in total expenditures gradually decreased, reaching 46% in 1955.¹⁶

The reversal started at the 9th Plenum, however, was treated as a temporary manoeuvre and the plan for 1956 again assumed a higher growth rate of production in group A than in group B,¹⁷ which led to a riot in Poznań in June 1956. Looking at the six-year plan, it should be emphasized that the assumptions regarding the standard of living of the population had not been realized. On the other hand, the chemical, machine and metal industries (mainly due to the concentration of outlays on armament), and, to a lesser extent, metallurgy, were successfully developed. Mining and energy were being developed too slowly, which generated tensions in the country's energy balance. Large discrepancies in relation to the assumptions of the plan were noted in the spatial distribution of investment, with Warsaw, Silesia and the Rzeszów voivodeship receiving much more than had been planned. This was at the expense of the rest of the country.¹⁸

The major changes in the country's economic system and economic policy goals occurred after Władysław Gomułka came to power in October 1956. The PKPG was dissolved and replaced with not so well-established Planning Commission at the Council of Ministers. Also, the level of detail of the plans was reduced. In 1958, Central Industrial Boards (Centralne Zarządy Przemysłu – CZPs) were dissolved, which faced with the fragmentation of the ministerial structure of industrial ministries after 1950, underwent a process of specific reproduction through division. In place of 17 CZPs from the end of the 1940s, at the end of 1956, there were more than 160 of them. Treated as a redundant link in the October discussion, they were replaced by theoretically voluntary unions, which later quickly transformed into structures controlling entire industries.

The first years of Gomułka's rule brought rapid improvement of the living conditions of the population, in some respects the greatest in the entire period of the existence of the Polish People's Republic. Yet its cost was a slowdown of the investment growth. In the plan for 1956–1960, mainly investments from the six-year plan were completed (Warsaw steel mill, power plants, the beginning of coal mining in the

¹⁶ Ibidem, pp. 88–89.

¹⁷ Ibidem, pp. 96–97.

¹⁸ Ibidem, pp. 99–109; T. Lijewski, *Uprzemysłowanie Polski 1945–1975*, PWN, Warszawa 1978, pp. 10–13.

Rybnik Coal District, the first opencast mine in the Konin basin). More success was observed in the spatial proportions of the plan's implementation.¹⁹

Along with the decentralization of competences, the cohesion of state policy weakened. Between the National Economic Plan for 1955 and the National Economic Plan for 1957, tasks for the intermediate level between ministries and enterprises disappeared. The disaggregation of the state plan stopped at the level of the ministries, the phenomenon of an independent ministerial policy appeared and contract management was intensifying, being an inherent feature of a centrally managed economy. The strongest position was held by the Ministry of Mining and Energy and machinery industry lobby.²⁰

Politics throughout the 1960s was largely determined by the resignation in January 1960 from assumptions developed in the study of the perspective plan created under the supervision of Professor Michał Kalecki in the Chancellery of the Prime Minister of Poland (KPRM), which meant better balancing of plans with a smaller share of investment and a lower rate of growth. The concept represented by the so-called practitioners (especially Eugeniusz Szyr) won. According to it, one should maximize the growth rate at all costs, which was characteristic of all countries with a centrally managed economy. The tendency to boost growth by increasing investment outlays had been visible before, when from the spring of 1957, KPRM increased the level of investment foreseen for the years 1958–1960 in particular industries, to partially reverse this decision in the autumn, due to shortages of construction materials and a negative balance of foreign trade with capitalist countries.²¹

In the first half of the 1960s, the authorities made capital-intensive investments in the exploitation of unused raw material deposits. Arrears in the energy sector had been caught up with. Also the construction industry attracted large investment. The largest investment of the five-year plan, which also meant a great qualitative change in the country's economic structure, was the construction of an oil refinery in Płock using the Druzhba pipeline built in the meantime. As a result, the disproportion between the production growth rates of groups A and B increased. Instead of the initially assumed similar increase in the production of both groups, an increase of 56% was established for Group A production and only 42% for group B. The results

¹⁹ Ibidem, pp. 13–15.

²⁰ A. Karpiński, *40 lat planowania w Polsce. Problemy, ludzie, refleksji*, PWE, Warszawa 1986, pp. 84–87, 140–142; W. Brus, K. Łaski, *Od Marksa do rynku*, Wydawnictwo Naukowe PWN, Warszawa 1992, pp. 61–63.

²¹ A. Karpiński, *40 lat...*, op.cit., pp. 120–124; Problemy, ludzie, refleksje, PWE, Warszawa 1986, pp. 84–84, 140–142, Minutes of meetings of the Presidium of the Planning Commission of the Council of Ministers, AAN, KPRM, 816/1, *passim*.

of the plan were even worse – the mentioned rates amounted to 59.5% and 37.1%, respectively.²²

As a result of the lack of further systemic changes, the layout and structure of the plan adopted in 1966 for the years 1966–1970 were very similar to those of the plan for 1961–1965. In February 1964, a variant of the plan was adopted, assuming much higher investment, employment and production values than in the initial version.²³

Again, the emphasis on the dynamization of development turned out to be stronger than the aspirations to balance the plans. In the years 1966–1970, the first copper mines were completed at KGHM and an aluminum smelter was opened in Konin. The sulfuric aggregate near Tarnobrzeg and the basins near Konin and Rybnik were extensively expanded and the Pątnów and Łaziska power plants were opened.²⁴

The second half of the 1960s became a period of increased license purchases in the capitalist countries, which indicated the authorities' realisation about the deepening of the technological gap between CEMA and the West. As a rule, technological solutions for the production of subassemblies were purchased, the construction of which was not supported by domestic technological facilities. For the first time, the license purchase plan, developed by the Science and Technology Committee, was included in the annex in the five-year plan. It contained 203 purchasing topics, 109 licenses were bought during the period in question (70% of them went to the machine industry, 27% to the chemical one).²⁵

Already in the years 1966–1967 it was noticed that the factor limiting the volume of license purchases is not the level of license fees but the import cost of necessary machines and devices as well as cooperative imports. These, exceeding the original assumptions, caused a decline in license purchases in 1969–1970.²⁶ One could notice problems that were to become the share of the Polish economy in the 1970s, but they were treated only as temporary.

The inability to implement the assumptions of the plan for 1966–1970 in the field of improving the efficiency of management and the growing distance from the Western countries prompted the authorities to reorient the policy. These changes were accompanied by numerous personnel changes in the power elite and the shift of the main decision-making centres in economic matters from the government and the

²² Ibidem, pp. 124–126, 129; J. Kaliński, *Gospodarka Polski w latach 1944–1989; Przemiany strukturalne*, PWE, Warszawa 1995, pp. 106–107.

²³ A. Karpiński, *40 lat...*, op.cit., p. 136, pp. 142–144.

²⁴ T. Lijewski, op.cit., pp. 17–19.

²⁵ *Zamierzenia w zakresie polityki licencyjnej w latach 1971–1975 na tle dotychczasowych wyników wykozystania licencji zakupionych w krajach kapitalistycznych.*, Komitet Nauki i Techniki, maj 1971, AAN, KC PZPR, V/93 (mkf 2916), k. 740–741.

²⁶ Ibidem, kk. 742–746.

Chancellery of the Prime Minister to the Central Committee of PZPR. Actually, it is from the Fifth Congress of PZPR in November 1968 that we can talk about implementing the so-called selective development, meaning development preferences for selected branches of machine and chemical industries, at the expense of capital-intensive branches of heavy industry and mining. The person with whom the strategy of selective development was associated was the secretary of the Central Committee, Bolesław Jaszczuk.²⁷

Structural preferences, which began to be enforced after 1968, were inconsistent with the Soviet preferences, changed just after Nikita Khrushchev's removal from power in 1964, signifying a renewed dynamic expansion of the steel industry. In addition, Poland began to submit demands for a far-reaching reform of the Council for Mutual Economic Assistance, which additionally antagonized it with the Soviet authorities.²⁸

The preparations for the introduction of the selective development strategy were accompanied by a number of changes in the rules for the functioning of enterprises under the so-called reforms of the incentive system of material interest and the policy of restrictive limit of demand surpluses in the internal market and deficit in trade with capitalist countries, which led to social protests in December 1970, the fall of Władysław Gomułka, the takeover of government by Edward Gierek and a rapid reorientation of the economic policy.

The policy of selective development was quickly abandoned. Instead, the slogan of 'harmonious' development was propagated. During the first year, the focus was on improving the living conditions of the population, but starting from the end of 1971, the investment expansion recommenced. It was possible only due to a wide inflow of foreign loans, financing not only the accumulation growth, but also a rapid increase in consumption. As a result, Poland's foreign debt reached 8.4 billion USD in 1975.

The inflow of external financing was connected with the influx of Western technologies. By 1976, a total of 412 licenses had been purchased, which were to bring an increase in export production allowing repayment of loans taken out earlier as part of the so-called buybacks. It was happening despite many warning signals related to the implementation of licenses at the end of the 1960s.²⁹ The necessity to develop the production of industrial consumer goods and the introduction of many new

²⁷ Ł. Dwilewicz, *Polityka selektywnego rozwoju w latach 1968–1970*, [in:] *Nauki ekonomiczno-społeczne i rozwój*, K. Żukrowska, (Ed.), Oficyna Wydawnicza SGH, Warszawa 2008, pp. 331–352.

²⁸ Proposals for reforming CMEA from the meeting of Polish and Soviet leaders in Łańcut on January 14, 1968: *Tajne dokumenty Biura Politycznego PRL – ZSRR 1956–1970*, Aneks, London 1998, pp. 519–522.

²⁹ More about the 1960s: *Preliminary information about the results of the control on the licensing policy*, NIK, May 1971, AAN, KC PZPR, V/93 (microfilm 2916), Frames 757–779.

products in this segment with the participation of Western financing and technical thought questioned the concept of buybacks.

In the field of industry management, Gierek's times brought about the victory of managerial concepts, with the decisive position of the director of an enterprise. At the same time, work began on the reform of economic management, the effect of which was the implementation in 1973 of the so-called WOG reform (Pl. Wielkie Organizacje Gospodarcze – Great Economic Organizations), giving large autonomy to the largest enterprises and associations. After 1976, the reform began to be withdrawn in the face of the monopolistic behaviour of some WOGs and gradual disorganization of economic life.

The second half of the 1970s brought about the collapse of investments and the general economic crisis in the country. After 1976, the inflow of foreign licenses to the industry also stalled. Both the investment process and the current production activity of enterprises were disturbed by numerous interruptions in the supply of electricity. The technologies imported from the West in the circumstances of a surge in energy prices after the first oil shock of 1973 became very outdated, and at the same time, the level of necessary investments in the energy sector was underestimated. In those years, the period of 'great constructions of socialism' actually ended – not too many new investments were started later and the so-called continued investments from previous multiannual plans were being completed. A similar, although not so drastic, situation occurred also in other countries of the Eastern Bloc. Growth sustained by investment outlays could not be continued indefinitely. The reduction of the real investment level due to the purchase of social peace by sustaining the level of consumption (official investment indicators were most likely heavily overestimated) resulted in a quick extinguishment of economic growth and an increase in industrial production.³⁰

The 1980s, with a practical collapse of the economy of the Polish People's Republic in 1979–1982, were a period of struggle for the survival of the system. For the first time some of the most-burdening plants had been closed. The greatest success was the relative stability of the country's energy balance, with no significant improvement in the energy intensity of production. Due to the needs of payment balance and the developing energy sector, coal mining was again the leading industry. However, a partial

³⁰ T. Vonyo, A. Klein, *Why Did Socialism Fail? The Role of Factor Inputs Reconsidered.*, University of Warwick, Centre for Competitive Advantage in the Global Economy, "Working Paper" No. 276, March 2016 (revised and resubmitted May 2017), pp.2–25. According to Vonyo and Klein, the main reason for the collapse of centrally managed economies was not so much their low productivity as the inability to ensure an adequate increase in inputs of factors of production. *Ibidem.*

restructuring of the industry took place, which resulted in a decline in employment in industry from 5,235 persons in 1980 to 4,773 in 1989

2. Return to the market economy (1989–2018)

The collapse of the Polish People's Republic in 1989 was connected with the end of the centrally managed economy. The reforms of Deputy Prime Minister Leszek Balcerowicz marked a radical change in the state's policy. The restructuring of industry had to give way to more urgent issues of macroeconomic stabilization, and in particular, to stopping the galloping inflation. In addition, by liberalizing the economy at that time, it was assumed that the issue of survival and adaptation of enterprises would solve market mechanisms that would eliminate the most ineffective plants and lead to the appearance of only slight unemployment.

Hence the introduction of anti-inflationary solutions hindering the functioning of large industrial plants, the elimination of the subsidies and bailouts used so far. The old industrial structures (from 1982 existing in the form of associations) were broken down, which was the result of the antitrust policy. Subsequent privatization proceedings usually concerned individual plants and enterprises, and apart from changing the form of ownership, they were also supposed to ensure the highest possible competition between individual industries.

The leading role of the Ministry of Ownership Transformation, after 1990 performing privatization, meant, in the opinion of the critics of the transformations, resignation from the broader strategy of industrial policy, dictated by the assumptions of the liberal doctrine. Usually, in such cases one omits the limited possibilities of budget financing of selected branches in a given period characterized by a deep shortage of state revenues.³¹

As part of the shielding activities in 1991, the Industrial Development Agency was established to support companies in financial difficulties, for example through a credit guarantee system, and to actively participate in their restructuring. In 1993, an Intervention Fund was created with similar functions as The Industrial Development Agency (Pl. Agencja Rozwoju Przemysłu – ARP).³² Another issue was the final abandonment of the active role of the state in accelerating industrialization, which

³¹ A. Karpiński, S. Paradysz, P. Soroka, W. Żółtkowski, *Jak powstawały i jak upadały zakłady przemysłowe w Polsce. Losy po 1989 roku zakładów zbudowanych w PRL-u*, Muza SA, Warszawa 2013, pp. 66–69.

³² J. Kaliński, *Transformacja gospodarki polskiej w latach 1989–2004*, Oficyna Wydawnicza SGH, Warszawa 2009, p. 40.

resulted from the experience of developed countries, undergoing, since the 1970s, often painful restructuring of industry and general deindustrialization. Added to this was the priority of macroeconomic stabilization, resulting in the decisive role of the Ministry of Finance in economic policy and the relatively minor role of the Ministry of Industry (since 1991 Ministry of Industry and Trade), which in the late 1980s replaced a whole range of industry ministries that had existed for 50 years, constituting a strong pressure group.

The years 1990–1991 were characterized by a large decline in industrial production and employment. This was due to not only the change of the domestic economic system and its direct effects, but also the breakdown of relations with CMAE countries and the final dissolution of this organization in 1991. In the case of industry, it affected the enterprises with long-standing cooperative relations with the member countries, especially with the USSR. Taking into account the scale of the collapse in the Finnish economy, a country not experiencing systemic transformation (GDP decline by 8% in 1989–1992, about 20% decline in employment in the industry), the results of Polish industry could have been much worse then.³³ In addition, along with the end of the Cold War, armament spending has been significantly reduced in all countries of the Eastern Bloc.³⁴

It is emphasized that nearly 50% of the share of industry in the value added of GDP at the beginning of the transformation was much higher than the analogous share in highly developed countries (where it was no more than 35%). So we had to deal with a kind of structural anomaly which had to undergo some reduction.³⁵

The problems of enterprises caused by the transformation led to the risk of losing liquidity and abstaining from payments, both to co-operators and public institutions. The scale of financial bottlenecks was very large, and enterprises with the largest indebtedness were usually supported by the state. This situation continued throughout the entire decade of the 1990s, until post-accession to the EU, when the rules of state aid were determined by the EU competition policy.³⁶ The great industry turned out to be a strong interest group again, but it was not lobbying for investment outlays, but rather for the cancellation of arrears against the tax office or support programmes to protect against mass bankruptcies.

³³ W. Kuczyński, *Solidarność w opozycji. Dziennik 1993–1997*, Poltext, Warszawa 2012, pp. 47–48.

³⁴ A. Åslund, *Jak budowano kapitalizm. Transformacja Europy Środkowej i Wschodniej, Rosji i Azji Środkowej*, Książka i Wiedza, Warszawa 2010, pp. 89–91.

³⁵ M. Bałtowski, M. Miszewski, *Transformacja gospodarcza w Polsce*, Wydawnictwo Naukowe PWN, Warszawa 2007, pp. 199–201.

³⁶ *Ibidem*, p. 80; *Płynność finansowa polskich przedsiębiorstw w okresie transformacji gospodarki*, U. Wojciechowska, (Ed.), Oficyna Wydawnicza SGH, Warszawa 2001, pp. 35–49, 76–77, 306–307.

In the area of ownership transformation of the economy started in 1990, Poland, against the background of post-communist countries, was distinguished by the leading role of a buyout by the management and employees (this refers mainly to the period up to 2002), which contradicts the omission of employees' interest in privatization procedures. In comparison with other countries, lower level employees had much more to say – in other countries, there was a clear dominance of managerial staff, and in the case of capital privatization, 15% of shares were guaranteed for employees.³⁷

Due to the progress of privatization, as well as the faster rate of production growth in the more profitable private industry, private sector production grew rapidly in the 1990s, with negative or slow growth in the state-owned industry. In 1996, 53% of production came from the private industry.³⁸ The changes continued – the public sector over the last years accounted for slightly more than 10% of industrial production, the rest was generated by the private sector, whose production accounted for almost half of the output of plants with foreign capital participation.³⁹

The reform of the administration centre introduced in 1997 replaced the Ministry of Industry and Trade with the Ministry of Economy, and the Ministry of Ownership Transformation with the Ministry of Treasury. Such a departmental system survived until the Law and Justice came to power in 2015. The supervision by the Ministry of Treasury over the state-owned industry met with disparate opinions, but it must be admitted that a significant improvement in its profitability occurred towards the end of the SLD government after 2003 and it was maintained by successive government teams, despite the economic downturn caused by the crisis in 2008.

In terms of spatial industrial policy, the most important event was the creation of special economic zones (SEZ). The first was the Euro-Park SEZ in Mielec, established in 1995. Until autumn 1997 16 zones had been established. After the accession to the EU, Poland was able to negotiate an extension of the transitional period for SEZ several times. In total, clusters of highly competitive industry were created in a few places (e.g. factories of electronic equipment around Wrocław, automotive industry and household appliances in Katowice SEZ, household appliances cluster in Łódź), but locating SEZ in the regions lagging behind economically brought much worse results than in the developed ones. Thus, tax preferences were not able to offset the output differences resulting from the legacy of history.

In the 1990s, state authorities developed several dozen restructuring programmes for individual industries, but their implementation did not always proceed as intended.

³⁷ A. Åslund, *op.cit.*, pp. 195–204.

³⁸ J. Kaliński, *Transformacja gospodarki...*, *op.cit.*, pp. 95–99.

³⁹ Rocznik Statystyczny Przemysłu 2015, GUS (CSO), Warszawa 2015, p. 41.

Frequent changes of government made it impossible to develop long-term ideas, hence the opinion about the lack of conclusions in the debate on industrial policy and the lack of a consistent sectoral policy.⁴⁰ The most expensive programme was implemented in hard coal mining by the government of Jerzy Buzek. However, it became permanently uncompetitive, especially after the 2008 crisis. The inability of proper restructuring can be attributed here to an overwhelming influence of trade unions, the overall hermeticity of the industry towards outsiders and objective factors, which include exploitation of seams and often record depths of mines.

Regarding long-term changes caused by the transformation, one should underline a significant reduction in employment accompanied by relatively high production growth. The number of the employed in industry decreased from 4,777,000 people in 1989 to 2,872,000 in 2003, maintaining exactly the same level 10 years later. In 2016, it increased to 3,084,000.⁴¹ The stable downward trend in employment was maintained after the end of the first phase of the transformation and during the economic growth, which resulted from the pace of restructuring of privatized enterprises generating increased productivity, and from the delay of mass redundancies in transitional periods included in privatization agreements. This did not mean a great drop in the importance of industry in the economy, as evidenced by the still relatively high share in the employment structure (decrease from 27.2% to 21.0% in the period 1989–2009 and to 20.3% in 2016).⁴² The share of the value added of industry in generating GDP stabilized after the declines of the 1990s. In the years 2000 and 2007 it was the same – 21.4%. In 2016, it amounted to 23.1%.⁴³

Deindustrialisation affected most negatively mining and metallurgy, but an equally negative impact was observed in the electronics, food and machine building industries. The textile industry suffered a lot and the importance of the arms industry was decreasing all the time. Due to the technological revolution, the entire sulphur mining industry collapsed. The energy, crude oil processing, and oil and gas production went through transformation successfully. All in all, we can talk about the preservation of the primacy of the machine, chemical and food industries as well as the decline in the importance of mining and light industry.

⁴⁰ A.K. Koźmiński, *Umiejdzynarodowienie polskich przedsiębiorstw*, [in:] *Gospodarka w okresie przemian*, E. Adamowicz, (Ed.), Oficyna Wydawnicza SGH, Warszawa 1999, p. 132.

⁴¹ A. Karpiński, S. Paradysz, *Rozwój społeczno-gospodarczy Polski w latach 1989–2009 w świetle statystyki*, [in:] A. Karpiński et al., *Dwudziestolecie polskich przemian. Konserwatywna modernizacja*, INE PAN, Warszawa 2011, p. 200; *Rocznik Statystyczny Rzeczypospolitej Polskiej 2015*, GUS (Central Statistical Office), Warszawa 2015, p. 242; *Mały Rocznik Statystyczny Polski 2017*, GUS (CSO), Warszawa 2017, p. 124.

⁴² A. Karpiński, S. Paradysz, op.cit., p. 200; *Mały Rocznik ... 2017*, op.cit., p. 124.

⁴³ *Rocznik Statystyczny Rzeczypospolitej Polskiej 2008*, GUS (CSO), Warszawa 2008, p. 687; *Mały Rocznik ... 2017*, op.cit., p. 395.

An undeniable success, however, was the achievement of long-term international competitiveness by the Polish industry and the dynamic growth of exports of its products. The structure of production has changed favourably. If in 2007, just before the financial crisis, the volume of sold production in total amounted to 271.8% of the 1990s' level, in the case of mining it was only 70.5%, electricity, gas and water production and supply – 123.9%, and in the case of the processing industry – 324.3%. This meant the average growth rate of the latter at 7.2%. In the period of slowdown in industrial production growth in 2010–2016, the importance of the processing industry continued to grow. The increase in sold production then totalled 25.1%, while in the processing industry it reached 30.8%. It denotes structural changes and a relatively lower environmental burden per unit of production. The mining production, which was harmful for the environment, decreased, and the demand for energy and water increased slightly.⁴⁴

Since 1991, the Polish economy has not recorded a decline in GDP, maintaining a relatively good average growth rate. Industrial production was characterized by larger fluctuations in growth than GDP itself, but it was also related to periods of its accelerated growth. Therefore, one cannot talk about the continuity of the deindustrialisation trend. The periods of accelerated growth in industrial production occurred between 1992–1997, when the growth rate was ahead of the increase in the entire GDP. It was similar in 2000 and in the years 2003–2007, 2010–2011 and 2014–2015. What is noteworthy, however, is the slowdown in industrial output growth after 2007 and the only after 1991 industrial production slump in 2009 as a result of the global financial crisis. Therefore, industry was the sector of the economy that paid a large part of the price of the crisis.⁴⁵

2015 and the change of the ruling team brought about announcements of far-reaching changes in the economic policy, leading towards partial etatisation of the economy and active industrial policy, especially in relation to the broadly defined industry of means of transport. The point of reference, at least in the sphere of declarations, are pre-war achievements and politics of Eugeniusz Kwiatkowski. Time will show how far the announced programme can be implemented.

⁴⁴ Rocznic Statystyczny... 2008, op.cit., p. 498; Mały Rocznic... 2017, op.cit., p. 295.

⁴⁵ J. Kaliński, *Transformacja gospodarki...*, op.cit, p. 96; Rocznic Statystyczny... 2008, op.cit., p. 498; Rocznic Statystyczny RP 2015, op.cit., p. 505; Mały Rocznic... 2017, op cit, p. 295.

Conclusion

Summing up the description of the three periods in the history of Polish industry, it should be stated that while pre-war Poland did turn to industrialization under the influence of Western experience, it did not manage to carry out these intentions to a full extent. Industrialization, which is a condition for modernization, was finally conducted in the People's Republic of Poland, mainly influenced by the Soviet experience, but with time the West became the main reference point again. The effect of such conditions of the industrialization process was the disruption of structural proportions with the excessive role of the capital goods industry, overrepresentation of the non-modern industries and the deepening technological gap. Also, excessively lengthy identification of industrialization with modernity led to an excessively big role of industry in the economy. The impossibility of continuing investment growth and, in fact, bankruptcy of the country ultimately led to the systemic transformation, where the industry was subjected to privatization and painful restructuring, partly also reflecting the processes taking place earlier in the West. Despite the closure of a large number of plants, the industrial sector continues to play a considerable part in the economic life of the country, while regaining international competitiveness.

Bibliography

1. Åslund A., *Jak budowano kapitalizm. Transformacja Europy Środkowej i Wschodniej, Rosji i Azji Środkowej*, Książka i Wiedza, Warszawa 2010.
2. Bałtowski M., Miszewski M., *Transformacja gospodarcza w Polsce*, Wydawnictwo Naukowe PWN, Warszawa 2007.
3. Berend I., *Decades of Crisis. Central and Eastern Europe before World War II*, [Kindle version], University of California Press, Berkeley–Los Angeles–London 1998.
4. Brus W., Łaski K., *Od Marksa do rynku*, Wydawnictwo Naukowe PWN, Warszawa 1992.
5. Chumiński J., *Ruch zawodowy w Polsce w warunkach kształtującego się systemu totalitarnego 1944–1956*, Wydawnictwo AE im. Oskara Langego we Wrocławiu, Wrocław 1999.
6. Deszczyński M.P., Mazur W., *Na krawędzi ryzyka. Eksport polskiego sprzętu wojskowego w okresie międzywojennym*, Neriton, Warszawa 2004.
7. 5. Dwilewicz Ł., *Polityka selektywnego rozwoju w latach 1968–1970*, [in:] *Nauki ekonomiczno-społeczne i rozwój*, K. Żukrowska, (Ed.), Oficyna Wydawnicza SGH, Warszawa 2008, pp. 331–352.

8. Eichengreen B., *Hall of Mirrors*, Oxford University Press, Oxford–New York 2015.
9. Findlay R., O'Rourke K.H., *Power and Plenty. Trade, War and the World Economy in the Second Millennium*, Princeton University Press, Princeton–Oxford 2007.
10. Gołębiowski J.W., *Nacjonalizacja przemysłu w Polsce*, Książka i Wiedza, Warszawa 1965.
11. Preliminary information on the results of the control on the licensing policy, NIK, May 1971, The Archives of Modern Records (AAN), KC PZPR, V/93 (microfilm 2916), Frames 757–779.
12. Kaliński J., *Gospodarka Polski w latach 1944–1989; Przemiany strukturalne*, PWE, Warszawa 1995.
13. Kaliński J., *Polityka gospodarcza Polski w latach 1948–1956*, Książka i Wiedza, Warszawa 1987.
14. Landau Z., Tomaszewski J., *Zarys historii gospodarczej Polski 1918–1939*, Książka i Wiedza, Warszawa 1999.
15. Kaliński J., *Transformacja gospodarki polskiej w latach 1989–2004*, Oficyna Wydawnicza SGH, Warszawa 2009.
16. Karpiński A., *40 lat planowania w Polsce. Problemy, ludzie, refleksji*, PWE, Warszawa 1986.
17. Karpiński A., Paradysz S., *Rozwój społeczno-gospodarczy Polski w latach 1989–2009 w świetle statystyki*, [in:] A. Karpiński et al., *Dwudziestolecie polskich przemian. Konserwatywna modernizacja.*, INE PAN, Warszawa 2011.
18. Karpiński A., Paradysz S., Soroka P., Żółtkowski W., *Jak powstawały i jak upadały zakłady przemysłowe w Polsce. Losy po 1989 roku zakładów zbudowanych w PRL-u*, Muza SA, Warszawa 2013.
19. Koźmiński A.K., *Umiędzynarodowienie polskich przedsiębiorstw*, [w:] *Gospodarka w okresie przemian*, E. Adamowicz, (Ed.), Oficyna Wydawnicza SGH, Warszawa 1999.
20. Kuczyński W., *Solidarność w opozycji. Dziennik 1993–1997*, Poltext, Warszawa 2012.
21. Lijewski T., *Uprzemysłowienie Polski 1945–1975*, PWN, Warszawa 1978.
22. Luszniwicz J., *Druga Rzeczpospolita. Wzrost podporządkowany integracji i modernizacji gospodarczej*, [in:] *Polskie osiągnięcia gospodarcze. Perspektywa historyczna*, J. Kaliński, (Ed.), Wydawnictwa Akademickie i Profesjonalne, Warszawa 2010.
23. Luszniwicz J., *Interwencjonizm państwowy w latach trzydziestych XX wieku: przypadki Wielkiej Brytanii i Francji*, [in:] *Od Wielkiego Kryzysu Gospodarczego do Wielkiego Kryzysu Finansowego*, J. Kaliński and M. Zalesko, (Eds.), Wydawnictwo Uniwersytetu w Białymstoku, Białystok 2009.
24. *Mały Rocznik Statystyczny Polski 2017*, GUS (Central Statistical Office), Warszawa 2017.
25. *Plan Inwestycyjny na rok 1949. Wojewódzkie Plany Regionalne*, CUP, Warszawa, n.d.
26. *Płynność finansowa polskich przedsiębiorstw w okresie transformacji gospodarki*, U. Wojciechowska, (Ed.), Oficyna Wydawnicza SGH, Warszawa 2001.

27. Podolska-Meducka A., *Polskie ustawodawstwo kartelowe w latach 1918–1939*, Wydawnictwo Sejmowe, Warszawa 2003.
28. Minutes of meetings of the Presidium of the Planning Commission of the Council of Ministers, AAN, KPRM, 816/1.
29. Rocznik Statystyczny 1948, GUS RP, Warszawa 1949.
30. Rocznik Statystyczny Przemysłu 2015, GUS (CSO), Warszawa 2015.
31. Rocznik Statystyczny Rzeczypospolitej Polskiej 2008, GUS (CSO), Warszawa 2008.
32. Rocznik Statystyczny Rzeczypospolitej Polskiej 2015, GUS (CSO), Warszawa 2015.
33. *Report on the implementation of the Act of September 20, 1946 – on investment planning and on the investment financing plan for the period from April 1 to December 31, 1946* (Journal of Laws No. 56, item 318), CUP, Warsaw 1947, duplicated printing from the collections of the SGH library, pp. 6–7
34. *Tajne dokumenty Biura Politycznego PRL – ZSRR 1956–1970*, Aneks, London 1998.
35. Kaliński J., *Transformacja gospodarki polskiej w latach 1989–2004*, Oficyna Wydawnicza SGH, Warszawa 2009.
36. Vonyo T., Klein A., *Why Did Socialism Fail? The Role of Factor Inputs Reconsidered.*, University of Warwick, Centre for Competitive Advantage in the Global Economy, “Working Paper” No. 276, March 2016 (revised and resubmitted May 2017), pp. 2–25.
37. *Intentions in the field of licensing policy in 1971–1975 compared to the previous results of the use of licenses purchased in capitalist countries.*, Komitet Nauki i Techniki, May 1971, AAN, KC PZPR, V/93 (microfilm 2916), Frames 740–741.