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## **GENERATIONS OF REFORMERS IN THE POLISH PEOPLE’S REPUBLIC AND THEIR INTELLECTUAL HERITAGE**

### **Abstract**

The drive towards reforms in the area of economic policy is permanent. The need of reforms is a practically never abandoned subject. The only exceptions tend to be periods when the *status quo* is accepted, and it is its consolidation that is being discussed. Things did not look any different in the times of the Polish People’s Republic (PPR). The rhythm of subsequent reform attempts determined the chronology of the development of the situation. The author set himself two goals: chronological ordering and typologisation of reform efforts in the PPR and presentation of the continuation of certain ways of thinking at the turn of the year 1989. Typologisation was assumed to concern ways of thinking rather than specific people and thus, it is not a biographic guide to reform circles.

**Keywords:** socialist economy, economic reforms, the Polish People’s Republic

## Introduction

What requires explanation and clarification is the wording of the title. Let us begin with the notion of 'generation'. In Polish literature, there is a long tradition of seeking a key to the understanding of social, political and mental transformations in the arrival of new generations. Some of the books on the subject have already become classics, like Kazimierz Wyka's study on literary generations,<sup>1</sup> Bogdan Cywiński's book about the generation of the 'rebellious' born after the January uprising<sup>2</sup> or Roman Wapiński's monograph about the generations of the Second Republic of Poland.<sup>3</sup> Chronological ordering of the evolution of the views according to the succession of generations allows identifying trends deeper than the individual evolution of views. It can also be said that people shaped in their youth in a certain paradigm retain its basic framework in later periods of life. The applied chronology may arouse doubts. This concerns in particular the first two generations separated by a very short period. Actually, in this case we cannot speak about two subsequent generations in a biological sense. Simultaneously, however, the political situation between 1946 and 1948 changed so radically that the tone came to be set by completely different circles. Later on, the ten-year interval does not seem to generate major objections.

The notion of reforms in the socialist economy tended to be understood in a narrowing way, as intrasystemic transformations. On the other hand, fundamental transformations, those which introduced a new system and those which later dissolved it, deserve a more specific name, for instance, a systemic transformation. In this study we depart from this division. What we describe as reforms is the total array of changes postulated by a given generation. It is not accidental that the title speaks about 'reformers' in the Polish People's Republic in a purely chronological meaning and not about 'reforms of socialism'.

In the area of economic policy, reform efforts are a permanent phenomenon. Neither does the need of reforms practically ever cease to be talked about. The only exceptions tend to be periods when the *status quo* is accepted and it is its consolidation that is discussed. Things did not look any different in the times of the Polish People's Republic (PPR). The rhythm of subsequent reform attempts determined the chronology of the development of the situation. The author set himself two goals: chronological ordering and typologisation of reform efforts in the PPR and the presentation of the

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<sup>1</sup> K. Wyka, *Pokolenia literackie*, Wyd. Literackie, Kraków 1977.

<sup>2</sup> B. Cywiński, *Rodowody niepokornych*, Biblioteka Więzi, Warszawa 1972.

<sup>3</sup> R. Wapiński, *Pokolenia Drugiej Rzeczypospolitej*, Ossolineum, Wrocław, Warszawa, Kraków 1991.

continuation of certain ways of thinking at the turn of the year 1989. The typologisation was assumed to concern ways of thinking rather than specific people and thus, it is not a biographic guide to reform circles.

Studies of the economic history of the Polish People's Republic are fairly advanced. Initiated yet before 1989,<sup>4</sup> developed after 1989,<sup>5</sup> they seemed to continue along two lines. The first focuses on studying long-term structural transformations in the economy,<sup>6</sup> while the second on the political context of the adoption of economic decisions of breakthrough character for the economic development of the Polish People's Republic.<sup>7</sup> The studies create grounds for attempting a theoretical reflection based on historical material.

Maciej Bałtowski<sup>8</sup> distinguished three stages of reflection on the socialist economy. The first stage was dominated by the description of an idealized model which was, in principle, better than the market economy and free from its defects. The authors of that period described not the real economy but what resulted from the theoretical assumptions of Marxism. From the point of view of the authors of the period, the superiority of socialism over the market economy resulted, among others, from the fact that the economy had become 'one great factory'. This was meant to increase the innovativeness of the economy and eliminate the costs of competition. Obviously, it was not only Marxists who saw the socialist economy in this way but also independent economists of the calibre of Joseph Schumpeter.<sup>9</sup> At the second stage, which began with the Krushev's 'thaw' period, weaknesses of the real economy came to be discerned, in particular, excessive centralization of management. In that situation, a postulate of a reform of socialism emerged, which was to consist in the decentralization of management. Combined with the resignation from massive terror and partial liberalization of the system, it was to produce the target model of socialism with a human face. Finally, the third phase, initiated in the late 70s, was dictated by the disappointment with reforms and was based on the principal assumption that the system was irreformable.

Though generally right, this division can be refined yet further. What seems to be expedient is a division of the PPR times into six epochs. The first two served the

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<sup>4</sup> A. Jezierski, B. Petz, *Historia gospodarcza Polski Ludowej 1944–1985*, PWN, Warszawa 1998; Z. Landau, J. Kaliński (Eds.), *Gospodarka Polski Ludowej 1944–1955*, KiW, Warszawa 1986.

<sup>5</sup> A. Jarosz, J. Kaliński, A. Zawistowski, *Bibliografia historii gospodarczej Polski w latach 1944–1989*, Oficyna Wyd. SGH, Warszawa 2003.

<sup>6</sup> J. Kaliński, *Gospodarka Polski w latach 1944–1989. Przemiany strukturalne*, PWE, Warszawa 1995.

<sup>7</sup> Ł. Dwilewicz, *Polska polityka gospodarcza w latach 1968–1971*, unpublished doctoral dissertation, Warszawa 2008.

<sup>8</sup> M. Bałtowski, *Gospodarka socjalistyczna w Polsce. Geneza, rozwój, upadek*, PWN, Warszawa 2009.

<sup>9</sup> J. Schumpeter, *Kapitalizm, socjalizm, demokracja*, PWN, Warszawa 1995.

installation of the new system, two subsequent ones were attempts at their adjustment, the third was intended to minimize losses in conditions of obvious failure and to live to see better market conditions. Finally, the last one made a belated effort at taking advantage of the changed economic environment. Interestingly, the chronology of these reforms corresponds partly to the chronology of political events.

## **1. Reforms of the first post-war years: in search of a Polish road to socialism**

The first years of the communist rule in Poland witnessed two flagship economic reforms: agrarian reform and nationalization of industry. The agrarian reform was introduced with the decree of the Polish Committee of National Liberation of 6 September 1944. The principles of the agrarian reform are commonly known. There are two aspects of the reform which we will draw attention to here. First, solutions of this kind were nothing exceptional in Europe. In the interwar period, the majority of East European countries were carrying out reforms of some kind. On the other hand, in practice, the reform was given a confrontational, 'class' character. The agrarian reform implemented the traditional postulate of the peasant movement, though enthusiasm was dampened by fears of collectivization following it. The nationalization of industry was introduced by virtue of the law of the State National Council of 3 January 1946. In the case of the nationalization, unlike in the case of the agrarian reform, compensation was foreseen. This was associated with the large participation of foreign capital in the Polish economy. If Poland were not to find itself in isolation and be exposed to economic sanctions, civilised standards had to be observed. In practice, this meant that foreign shareholders in Polish enterprises were paid out real compensations (the latter obviously not concerning the Germans), while Polish shareholders were later offered some form of substitute compensation in securities. Neither was the nationalization anything specific to the Soviet sphere of influence. Nationalization reforms took place at that time in many West European countries, France and Great Britain included. Summing up, both fundamental reforms of the first post-war years did not yet mean isolation of the Polish economy from the world economy.

In both of those great reforms, the Polish Workers' Party (hereinafter referred to as the PWP) could count on the support of both the Polish Socialist Party (hereinafter referred to as the PSP) and the Polish People's Party of Stanisław Mikołajczyk (hereinafter referred to as the PPP). What was talked about at that time was 'the Polish road to socialism' and the very communists denied the intention of introducing Soviet solutions in Poland. The specificity of the Polish road to socialism

was to mean resignation from collectivisation of agriculture (that is the creation of kolkhozes [Russian-style collective farms]) and maintenance of a three-sector model of the economy in which there was room for the private, the cooperative and the public sector. The PSP was the party most committed to the defence of the concepts. In 1945, the Central Planning Office (CPO) was established with the PSP president, Czesław Bobrowski, who prepared a 3-year plan for the years 1947–1949. The goals of the plan included the integration of the Recovered Territories with the rest of the country and the restoration of the pre-war level of production, consumption and national income. In 1947, the political situation changed so much that the first period drew to an end.

## 2. Reforms of the Stalinist epoch: the mirage of the great acceleration

A major turnaround in economic policy took place in the years 1947–1948. Stalinists came to power. The Cold War broke out. Economic problems which the war-devastated world economy faced, were interpreted as a harbinger of the final defeat of capitalism. The rejection by Poland, under the USSR pressure, of the Marshall Plan competed and sealed the division of the continent into two parts. In this situation, Stalin decided to consolidate the Soviet sphere of influence. Principal decisions in this respect were made at the conference of communist and workers' parties in Szklarska Poreba in September 1947. The Soviet response to the Marshall Plan was the establishment in 1948 of the Council for Mutual Economic Assistance (Comecon). This turn meant a departure from the Polish road to socialism and acceptance of Soviet models as commonly obligatory.<sup>10</sup> It was accompanied by an increase in terror, liquidation of any, even façade, democracy and disposing of socialists. It was carried out in two rounds, closely linked to economic policy.

Already in the summer of 1947, the so-called battle for trade took place, which can be deemed the first phase of the stalinization of the economy. Under the guise of a fight with mounting prices the hitherto ally – the PSP and its concept of a three-sectoral model were attacked. In February 1948, the so-called CPO discussion erupted. The management of the CPO were accused by the communist minister of industry and trade, Hilary Minc, of applying bourgeois methods in economic planning and failing to appreciate the role of the heavy industry. The discussion, which was actually

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<sup>10</sup> J. Luszniwicz, *Wzorzec radziecki a system gospodarczy Polski w latach 1944–1956. Odzworowanie, modyfikacja czy rewizja?* [in:] K. Rokicki, S. Stępień (Eds.), *W objęciach wielkiego brata. Sowietci w Polsce 1944–1993*, IPN, Warszawa 2009.

a one-sided attack, finished with a dismissal of Czesław Bobrowski and a seizure of the CPO by communists.

Hilary Minc, who came to head the State Commission for Economic Planning (SCEP), became a dictator in the domain of economy. In the years 1950–1955, the assumptions of the 6-year plan, officially referred to as the plan for the construction of the foundations of socialism. The plan drew on the Soviet model of industrialization, developed in the USSR in the late 20s and was carried out within the framework of subsequent 5-year plans. Priority in development was to be given to the heavy industry and only later to the light industry. This meant that the economy was to work not so much to satisfy the consumer needs of the society as to increase its own potential. The 6-year plan was thus a period of intensive growth at the cost of tightening the belt and limiting the consumer aspirations of the society.

The maintenance of social consumption on a low level required, however, satisfying basic needs, at least with respect to foodstuffs. The latter was intended to be achieved through artificially dumped prices for agriculture, which paid the price of that model of industrialization. To make the collection of the forced tribute from agriculture efficient, the latter was to be collectivized, which meant that farmers were to be deprived of the individual ownership of land and forced to join state-subordinated cooperatives. The system was also characterized by strong autarkic tendencies, that was a drive towards economic self-sufficiency. What was stark obvious in the assumptions adopted in Szklarska Poręba was the fact that individual socialist countries were copying the Soviet model along with its drive towards self-sufficiency. In the 30s, when the model was implemented in the USSR, it could be argued that the USSR could not become dependent on the capitalist environment. However, at the time of the Szklarska Poręba conference, there was already a block of socialist countries. If the intention was to avoid dependence on capitalism, it was enough to aim at self-sufficiency within the framework of the Council for Mutual Economic Assistance (Comecon). Instead, every country was to aim at self-sufficiency on their own. At that point it became clear that the autarkic tendencies constituted an inherent and permanent element of the Soviet economic model. Yet, we must remember that they were, to at least some extent, justified by military considerations. With nuclear arms constituting an actual threat, the dispersal of targets was a rational move.

The initial assumptions of the 6-year plan were very ambitious. It provided for the construction of over a thousand new industrial plants. Yet, we must not forget that given the overall situation, intensive industrialization was carried out in isolation from the world economy, as if in a bubble, without any verification of its effects by market demand. In the first years of the 6-year plan, the authorities tried to arouse enthusiasm and motivate people to work in this way. What was promised was a social

advance connected with moving from the country to the town and new educational opportunities. Simultaneously, however, propaganda promised fast growth of the standard of living. After a few years, this propaganda formula exhausted its power and failed completely. People who moved from the country to the town did have the feeling of social advance but simultaneously paid the price by losing the feeling of having access to their roots. Meanwhile, the expected growth of the standard of living was extremely slow, much slower than expected. This was caused by the structure of the economy in which satisfaction of the consumer needs of the society was treated in the best case as the necessary evil. The defects and weaknesses of the planned economy also came to be ever more visible. It was assumed to be more efficient than the economy of the West. Yet, in practice, it proved to be botched and excessively centralized. As a rule, the effort and enthusiasm with which people tended to initially treat work was simply wasted.

The Socialist economy, based on Soviet models, created an illusion of a possibility of catching up with highly developed countries, thanks to avoiding crises of overproduction characteristic of the market economy. The diagnosis of the pending collapse of capitalism proved to be dramatically wrong. It became a fact that the Stalinist economic experiment failed. The place of socialist countries in the international division of labour did not change. They still remained first and foremost suppliers of raw materials. Simultaneously, the isolation from the world economy consolidated, gaining the form of permanent backwardness and pauperization of the society.

### **3. 1956 reformers: decentralization and self-government**

The generation of the 1956 reformers came to be known in history as revisionists. They opposed Stalinism but they believed in the principal assumptions of Marxism and in a possibility of giving them a less repressive and more prosocial character. De-Stalinisation, commenced after Stalin's death in 1953, reached its culmination in 1956. In February of that year, the 20<sup>th</sup> Party Congress was held in Moscow, at which Nikita Khrushchev condemned Stalin's crimes. In October, a political crisis took place in Poland. During the 8<sup>th</sup> Plenum of the Central Committee of the Polish United Workers' Party, the party management was entrusted to Władysław Gomułka. The Polish model of socialism no longer had to follow the Soviet model in all its aspects. During the October breakthrough, the Stalinist economic system was openly criticized, the Yugoslav model of socialism, based on workers' self-government, being given as an example. In the economic domain, the principal change consisted in the acceptance of individual rural ownership and resignation from collectivisation.

In 1956, the need of an economic reform was discussed openly. While the fundamental principles of the so-called 'social ownership of means of production' was not questioned, excessive centralization of economic management was criticized. A solution was sought in the workers' self-government based on the Yugoslav model of the time. However, Gomułka rejected a reform of this kind, fearing (probably correctly from his point of view) that there was no guarantee that the party would have a decisive say in such a self-government in the future. That is why the movement of the workers' self-government was finally squashed in 1958 through the establishment of the highly bureaucratic structures of the Conference of Workers' Self-Governments (CWSG), controlled entirely by the party. Discussions over the reform were going on at the forum of the Economic Council, established in 1957. The Council was an advisory body to the government. It gathered the most outstanding Polish economists of the time. It was headed by Oskar Lange, its vice-presidents being Edward Lipiński, Michał Kalecki and Czesław Bobrowski. The Council advocated decentralization of the economic management but its suggestions were rejected by the PUWP management in 1958. The Council was finally dissolved in 1963.

The Polish post-October reforms fit into the wider context of reforms in socialist countries. Yugoslavia, condemned in 1948 by the USSR and left to its own resources, developed a self-government economic model. The decentralization programme initiated in 1950 provided for broad independence of enterprises, in which the decisive role was to be played by the workers' self-government. The state system was to follow. The ruling communist party was to dissolve in the nation-wide movement, while the legislative power was to be divided between two chambers: the Union Council, representing the union republics and the Manufacturers' Council, representing the self-governments of state enterprises and cooperatives.<sup>11</sup> The death of Stalin and the relaxation in relations with the USSR weakened the radicalism of Yugoslav reforms and led to the political fall of their main ideologist, Milovan Đilas. Nevertheless, the self-government model was continued till the 1965 reforms when it had to be modified as too inflationary.

The weaknesses of the Stalinist model were also seen by the Soviet leader, Nikita Khrushchev. The period of his government was also a period of decentralisation reforms. Khrushchev lengthened the planning period replacing five-year plans with seven-year plans. The competences of central bodies were limited in favour of regional National Economy Councils (*sovnarkhozes*).<sup>12</sup> The Stalinist, militarized management system was to be replaced by artificial, bureaucratic parameters, determining the activities of

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<sup>11</sup> J. Prijavec, *Tito*, Wyd. Akademickie SEDNO, Warszawa 2018, pp. 428–429.

<sup>12</sup> R. Pichoja, *Historia władzy w Związku Radzieckim 1945–1991*, PWN, Warszawa 2011, from p. 234 on.



independent entities. Over time, an idea emerged to divide the whole administration, both state and party, into two tiers: urban and rural. Krushev's reforms led to chaos and social tensions, which culminated in the riots in Nowoczersk. That, together with the failure during the Cuban rocket crisis, brought about Krushev's fall in October 1964.

Before having a look at the effects of those self-government reforms, let us make yet another remark. At the turn of the 50s and the 60s, the result of the historical rivalry between the two systems was not yet known. Krushev seemed to be convinced of the prospect of the historical victory of socialism in peaceful competition with capitalism. If ever in history communist leaders could really have the feeling that they are winning with capitalism, it was at that time.

Today, Krushev's bragging that within 20 years the USSR would outpace the United States in terms of the standard of living, sounds ridiculous. Some found it ridiculous already then. However, let us draw attention to the role it played in the Soviet internal political discourse. Krushev had to fight with a belligerent Stalinist fraction which preached the traditional thesis of the inevitability of a war. The view that the USSR can win the competition with the USA within the framework of peaceful coexistence pushed the Stalinists into defence because it forced them to verbalize scepticism towards the natural superiority of the socialist system. From this point of view, Krushev's bragging was a smart device and played a positive role. In turn, president John F. Kennedy, informed by the CIA about the actual Soviet potential, concluded that it was not worthwhile to tame Soviet boasting because nobody could better than Krushev convince the Americans to increase expenses on armaments.<sup>13</sup>

The mechanism of the failure of the Krushev's epoch reforms was indeed surprising. The market-replacing parameters made up by economists obviously could not work. They constituted a weird, naïve mixture of pseudo-market impulses referring to the interest of the parties concerned and ideological clichés, calling on them to behave in an altruistic way. That could not work. What did work was the real market situation, the dominant feature of which were shortages. In that situation the economic rationale prescribed taking care of providing a possibly large scope of self-sufficiency. Autarky, once proclaimed on the state level, moved to the local level. Every region aimed at self-sufficiency and given the absence of efficient exchange mechanisms this could only lead to deepening shortages. In classic Stalinism, it was possible to force people and entities (through terror or ideology) to altruistically overcome autarkic tendencies. After Krushev, when the party staff ceased to feel the direct threat of terror and simultaneously tasted some dose of independence within the framework of 'economic calculus', it was no longer possible.

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<sup>13</sup> A. Fursenko, T. Naftali, *Tajna wojna Chruszczowa*, Bellona, Warszawa 2007.

## 4. 1966 reformers: parametrisation and technocrats

The differentiation of a generation of reformers of the second half of the 60s might not seem obvious. The whole period from the 1956 breakthrough to the end of Brezhnev's rule tends to be treated as one whole. However, it seems that an internal division line can be distinguished within the period which splits it into two different epochs. The generation of 1966 reformers can be referred to as technocrats.

The fall of Khrushchev was caused, among others, by the economic chaos due to decentralization reforms. The discovery of the period was the fact that autarkic tendencies are an immanent feature of the system brought about by the omnipresent shortages. The decentralisation of decisions caused these tendencies to move to lower levels paralyzing exchange mechanisms.<sup>14</sup> In this situation, the centre had to impose exchange and, unlike in the Stalinist period, they could no longer resort to either terror or purely ideological motivation. Let me draw attention to but one criterion which allows distinguishing the 1956 reformers from the 1966 reformers. The former complained about the omnipotence of the centre which, fearing loss of control, would not let any strings out of their hands. The latter complained about the powerlessness of the centre, which could not cope with the egoism of particular interests.<sup>15</sup>

At the same time, the arms race resulted in actual parity between the USSR and the USA. The United States, tied up in the Vietnam war, sought agreement with the Soviet Union and were ready to accept its imperial position along with the resultant division of the world. The USSR was losing its attributes of the leader of a global revolution, gaining instead a solid position of a traditional power.

This favoured the weakening of the ideological struggle, shifted accents towards technocracy and efficient management. It was further fostered by the information revolution, which was gaining momentum. The harnessing of advanced computational techniques in the service of the central planner seemed to be a remedy to his ever more pronounced powerlessness. Neither ideological motivation nor terror but advanced, scientific mathematical methods gave hope for overcoming systemic weaknesses. In Poland, hopes of this kind were expressed by Oskar Lange,<sup>16</sup> Michał Kalecki<sup>17</sup> and Aleksy Wakar.<sup>18</sup>

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<sup>14</sup> W. Morawski, Tendencje autarkiczne w gospodarce socjalistycznej, [in:] P. Jachowicz (Ed.), *W poszukiwaniu modelu gospodarki centralnie kierowanej*, Oficyna Wyd. SGH, Warszawa 2013, pp. 95–99.

<sup>15</sup> J.G. Zieliński, *Polskie reformy gospodarcze. Trzy wykłady*, ODNOWA, Londyn 1974, from p. 83 on.

<sup>16</sup> O. Lange, *O socjalizmie i gospodarce socjalistycznej*, PWN, Warszawa 1966.

<sup>17</sup> M. Kalecki, *Zarys teorii wzrostu gospodarki socjalistycznej*, PWN, Warszawa 1963.

<sup>18</sup> A. Wakar, *Morfologia bodźców ekonomicznych*, PWN, Warszawa 1963.

Green light for the reforms came from the USSR. The eighth five-year plan (1965–1970) was a period of reforms of the planning system.<sup>19</sup> In accordance with the assumptions, plans were to be created bottom-up and not top-down. The centre which was again given a branch, instead of territorial, structure, was to coordinate the total with the help of adequately chosen parameters and complex mathematical models.<sup>20</sup> The reforms, initiated and propagated by premier Alexei Kosygin, relieved discussions on economic subjects from ideological pressure and their being dominated by technocrats. Despite the incompleteness of the solutions, the eighth five-year period is assessed as one of the best in the economic history of the USSR. The market economy, operating according to the rules of a welfare state and communist economy losing its revolutionary zest and moving in the direction of efficient management, seemed to be becoming similar. What was gaining popularity was the theory speaking about their mutual convergence.

The end of the reforms came with the Soviet intervention in Czechoslovakia. Democratic tendencies had been gaining popularity within the communist movement already for some time. In 1968, a reform process under the slogan *socialism with a human face* was embarked on in Czechoslovakia. The USSR and four other countries of the Warsaw Pact (without Romania) decided, after some hesitation, to squash the movement through military intervention. In the course of discussion prior to the intervention, Kosygin was strongly against such a solution. He was convinced that the intervention would strengthen the conservative and dogmatic forces within the USSR itself to such an extent that further reforms would not be possible. And he was right. The year 1968 meant the end of economic reforms in the USSR. What is more, now the USSR was vitally interested in squashing similar attempts in other socialist countries. The managerial reform in Hungary entered a hibernation stage after a few years. Similar reforms undertaken in Yugoslavia finished in 1972 with a campaign against 'liberals and managers'. The Yugoslavs assessed the situation in such a way that "after the intervention of the Warsaw Pact in Czechoslovakia the Soviet Union could not afford to let the economic reforms in Yugoslavia succeed as this would have meant that 'socialism with a human face was possible'".<sup>21</sup>

In Poland, the lasting effect of Kosygin's reforms was the appearance of mathematized, ideological Wakar's school<sup>22</sup> in the Main School of Planning and Statistics.

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<sup>19</sup> R. Pichoja, op.cit, p. 281.

<sup>20</sup> The belief that advanced, computer supported management constitutes an optimal response to all hitherto problems was the sign of the times. After all, it was exactly at that time that Robert McNamara tried to win the Vietnam war with 'scientific methods' with a well-known effect.

<sup>21</sup> J. Prijevec, op.cit., p. 654.

<sup>22</sup> R. Bartkowiak, E. Ostrowska-Kubik, *Ekonomia polityczna, ekonomia i polityka gospodarcza*, [in:] R. Bartkowiak (Ed.), *Wkład Szkoły Głównej Handlowej w rozwój myśli ekonomicznej*, Oficyna Wyd. SGH, Warszawa 2015, from p. 145 on.

Within a short time, it changed the character of the economic discourse in the country. Władysław Gomułka was, in turn, worried by the successes of economic integration in Western Europe, in stark contrast to the actual disintegration of the CMEA. Gomułka was afraid that a disintegration of the Warsaw pact would follow and this before the border on the Odra and the Nysa was recognized.<sup>23</sup> This generated ineffective attempts at reviving the CMEA. In the years 1968–1970, Poland implemented reforms the face of which became Bolesław Jaszczuk. The latter considered the autarkic tendencies of socialist economy harmful and intended to fight them with the policy of the so-called selective development. Poland was to focus on a number of industries which created a chance for export and do away with others. The diagnosis was correct but the recipe wrong. The problem consisted in the fact that it was not the market that was to make the selection. The selection was to be made with administrative methods. Listed among the industries to be liquidated was, among others, the shipbuilding industry. The second move made by Jaszczuk was the rationalization of salaries and their linking to labour productivity. The problem was that the low productivity of work resulted not from the employees being lazy but from the overall mess and poor organization of work for which ordinary employees did not bear any responsibility. Now, they would be expected to bear their consequences. Finally, Jaszczuk intended to reform prices. The latter led to a rebellion which did away with Gomułka's government. The party came to be headed by Edward Gierek.

The new team announced a change to the economic policy. The concept of selective development was replaced with a new concept – of sustained growth. The decisions to liquidate selected branches of the economy were cancelled and economic growth was from that moment on to proceed concurrently with a rising of the level of consumption. In implementing his policy Gierek could make use of a substantial reserve inherited after the previous team. Fearing to make the country dependent on foreign capital, Gomułka left Poland practically without debts. The new team did not hesitate to fully draw from those resources. Thanks to credits and purchases of licences, the Polish economy was to modernize fast and then repay the debts through the export of modern products.

The early 70s seemed to confirm the correctness of the concept. The subject of the economic reform returned. Under Gierek's government, it took the form of Big Economic Organizations (BEOs). Those were state-owned, socialist enterprises, with independence as regards employment and level of salaries. Till 1975, 125 BEOs were established, including 110 industrial ones, which totally accounted for 65%

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<sup>23</sup> W. Morawski, *Poglądy gospodarcze Władysława Gomułki*, [in:] E. Kościak, T. Głowiński (Eds.), *Gospodarka i społeczeństwo w czasach PRL-u (1944–1989)*, Wyd Gajt, Wrocław 2007, p. 326.

of national production. With the passage of time, it turned out that BEOs showed a tendency towards raising both employment and salaries and thus became an inflation-stimulating factor. While in 1970 merely 17% of those employed in the industry worked in enterprises employing over 1000 people, in 1980 this indicator increased to 72%. That obsession with aggrandizement had its social consequences: the fall of small industry caused commuting to work to become a problem for a large part of the population. Creating powerful working class bulwarks the party, in a sense, shoot themselves in the foot because in 1980 it was those behemoths with their multi-thousand host of labour force that became the Solidarity fortresses.

## 5. Reformers of 1976: bankruptcy administrator

After 1968, the Brezhnev stabilization in the USSR turned into stagnation and the Brezhnev's doctrine of the limited sovereignty of socialist countries blocked possibilities of reforms in the whole block. Meanwhile, the 70s brought worsening of the market conditions and two subsequent oil crises. Their effects included, among others, the abandonment of the Keynesian policy in the West and the return to economic liberalism. Hopes for the convergence of the two systems vanished for good. After the West had succeeded in overcoming the crises, the historical competition was resolved. The socialist system failed to cope with the requirements in both the area of technological progress and the standard of living. In Poland, the year 1976 proved a turning point with a collapse of Gierek's experiment. The belief that socialism cannot be reformed won. A reflection of this kind was initiated by Alain Besançon<sup>24</sup> and Stefan Kurowski.<sup>25</sup> In the 1981 study of Besançon, we have a vision of moon-like reality, detached from reality, incapable of development and innovation, condemned to a historical failure. Besançon distinguished three sectors in the socialist economy. The first, working for the needs of the state power industries had to make attempts at keeping pace with their Western counterpart, although that was done at an ever larger cost. The second sector, the largest, covering civilian production, was stagnant and could exist only parasitizing on the third sector in which market elements were retained. Kurowski's theory concerned first of all the Marxist theory of value and its practical consequences. The cornerstone of reflection over real socialism proved to be the work of Janos Kornai.<sup>26</sup> The author departed from the artificial language of the

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<sup>24</sup> A. Besançon, *Anatomia widma. Ekonomia polityczna realnego socjalizmu*, Res Publica, Warszawa 1991.

<sup>25</sup> S. Kurowski, *Doktrynalne uwarunkowania kryzysu gospodarczego w PRL*, Kooperatywa Wydawnicza "Wyzwolenie", Wrocław 1980.

<sup>26</sup> J. Kornai, *Niedobór w gospodarce*, PWE, Warszawa 1985–1985.

political economy of socialism and began to describe real socialism in terms proper for the market economy. What was exposed as a result was the notion of shortage as a state determining the socialist economic system. The analysis of the consequences of this fact constituted an enormous step forward in reflection over real socialism. Yet, Kornai wrote in a specific situation. In Hungary, there were controversies over economic reform. The positions of conservatists were still strong. In that situation Kornai was not entirely free to formulate conclusions. In particular, he had to refrain from statements which would involve negative consequences of decentralization. Discrepancies between the growing belief that in principle socialism could not be reformed and the support for reforms put Kornai in an awkward situation<sup>27</sup> and forced him to formulate circular theses: "Shortage economy is an internal feature, specific to the socialist economy the reforms of which can slightly ease tensions, though they will never manage to remove them".<sup>28</sup>

The name '1976 Reformers' should be treated as conventional. In general, it refers to a generation already having the experience of disappointment with socialism. They were born too late to be deluded. They were fully aware of the historical failure of socialism. Simultaneously, however, they knew that political conditions did not yet allow translating the awareness into any radical steps. What had to be done was to attempt to use the remnants of the system to create something that would allow for relatively normal functioning and thus wait for a better political environment. It was in that climate that democratic opposition, and, after 1980 the mass Solidarity movement, operated.

In September 1980, the Commission for Economic Reform was established, as if in the continuation of the tradition of the Economic Council of 1957. The reform plans of the government party and the Solidarity went in a similar direction – the decentralisation of the economy and restoration of independence to enterprises. The difference was in the rules concerning the appointment of directors. While the Solidarity wanted<sup>29</sup> for them to be chosen by the employees' self-government (the Yugoslav model), the authorities preferred that they be appointed by the founding body, that is top-down (the Hungarian model). In autumn 1981, yet before the martial law, two laws, prepared by the Władysław Baka's Commission, were passed: the law on the state enterprise and the law on the employees' self-government in a state enterprise. Enterprises were to operate in accordance with a central plan but on the

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<sup>27</sup> J. Kornai, *Siła idei. Zapiski z intelektualnej podróży*, Wydawnictwo Naukowe Scholar, Warszawa 2008.

<sup>28</sup> J. Kornai, *op.cit.*, p. 742.

<sup>29</sup> J. Luszniwicz, *Samorząd pracowniczy. Transformacja systemu. O programie gospodarczym Sieci Organizacji Zakładowych NSZZ „Solidarność” wiodących zakładów pracy (rok 1981)*, Oficyna Wyd. SGH, Warszawa 2008.

basis of their own economic rationale. The rationality, however, was to result not from market conditions but from a mixture of market regulations and artificial parameters developed by the central planner. Attempts at combining economic rationality with the maintenance of power by the centre was, however, a task of 'squaring the circle' nature and the self-government of enterprises, given the power of NSZZ Solidarity, threatened the authority with a loss of control over the economy. At that time, the views of the 1976 reformers evolved towards economic liberalism and market economy, but for the tactical reason, that evolution was camouflaged. It might not have misled the authorities who were the main addressee of the camouflage, but it did mislead a significant part of fellow fighters from the Solidarity. In this way, grounds appeared for a divide in the movement and disappointments which came to be experienced by numerous Solidarity members after 1989.

In December 1981, the martial law was introduced. The remaining laws prepared by the Commission for Reforms were passed and introduced already in the first months of 1982. In February, a large, almost 100%, price rise took place. That, however, was only a rise of prices and not their freeing, which could have triggered a market mechanism. Other laws were also passed to declare the equality of the three sectors: state, cooperative and private. In some sectors the reform introduced rational principles. That was the case in, for instance, banking. The president of the National Bank of Poland, hitherto appointed by the government, came to be appointed by the Parliament. The law also made the NBP responsible for the condition of the zloty.

The martial law authorities declared their determination to introduce reforms. In 1982, the Advisory Economic Council was established to be headed by Czesław Bobrowski. Władysław Baka became the minister for economic reform.<sup>30</sup> Simultaneously, however, the decentralising character of the reform remained in stark contradiction to not only the logic of the martial law, but also to the way of thinking typical of the army, in which discipline and control played the key role. In the eyes of the public opinion, the reform was associated primarily with the price rise which reduced support for it. Meanwhile, the Polish economy was becoming more and more isolated from the world economy. That was a consequence of the indebtedness-generated crisis and of the sanctions imposed by Western countries in connection with the martial law.

In the meantime, enemies of reforms launched a counterattack. In May 1985, the government addressed the problem of the 'modernisation of metallurgy', which in fact meant that the branch was in practice excluded from the action of even imperfect reform mechanisms. In summer 1985, Zbigniew Messner was appointed premier

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<sup>30</sup> W. Baka, *Zmagania o reformę. Z dziennika politycznego 1980–1990*, Iskry, Warszawa 2007.

and marginalised the influence of Władysław Baka. The success of the enemies of the reform was, however, temporary. The commencement of Gorbachev's reforms in the USSR and the collapse of the Soviet economy following the decline of crude oil prices in 1986 undermined the belief in the revitalization of communism.

## 6. 1986 reformers: belated return to the roots

In 1985, Mikhail Gorbachev came to power in Moscow. After a few months, it was clear that the USSR was entering a period of deep reforms. The scope of the independence of socialist countries was thus broadened. The final phase of socialism resembled the first because the leaders saw a chance for the revitalization of the economy in 'return to the roots'. In the USSR, Gorbachev looked back to the NEP tradition of the first half of the 20s. In Poland, inspiration was sought in the CPO and the concepts of the first post-war years. It was Janusz Kaliński who drew attention to the similarities between the reforms of the first and the end period of communism.<sup>31</sup>

In autumn 1986, the authorities opted for liberalisation, releasing all political prisoners. In November, a draft of the second stage of reform appeared in the Commission for Economic Reform. An outstanding economist, Zdzisław Sadowski, was appointed vice-premier responsible for the implementation of the reform. In October 1987, the draft of the 2<sup>nd</sup> stage of the reform was ready. However, since Messner's government had rather weak support, General Wojciech Jaruzelski decided to subject the draft to a referendum. The latter was held in November 1987 and did not produce a clear result (the majority of the voters were for, but the attendance was too low to give the result a legally binding power). Nevertheless, at the beginning of 1988, the government embarked on the implementation of the 2<sup>nd</sup> stage of the reform. On 1 February 1988 another hike of prices took place. What it provoked was a wave of strikes. Already at the stage of reform planning, the government lost control over its radicalisation and at the stage of implementation the so-called price-income operation proved a total disaster. Instead of balancing the market it triggered the inflation spiral. In May 1988, the frightened government appealed to the Parliament to be granted extraordinary powers, which in fact annihilated the sense of the reform. It was a signal that the political possibilities of Messner's government were exhausted.

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<sup>31</sup> J. Kaliński, „*Transformacja*” do gospodarki centralnie kierowanej w Polsce (1944–1950), wykład wygłoszony podczas konferencji Kapitalizm kontra socjalizm, anatomia zmian systemowych w Polsce w latach 1928–2018, Białystok 2018.



In September 1988, the government of Mieczysław Rakowski was formed. Its formation took place in an already entirely new political climate. Talks with the opposition commenced and were soon to lead to the Round Table debates. Given the situation, Rakowski proposed that a few people linked to the Solidarity opposition join the government. His proposal was rejected, but he appointed minister of industry a private entrepreneur, Mieczysław Wilczek. Yet, in December 1988, the government passed through the Parliament several economic laws of major importance. The most important of them introduced freedom of economic activity. In March 1989, the foreign exchange law was changed and trade in foreign exchange was allowed. It was a major step towards the restoration of the convertibility of the zloty. Parallely, the Round Table talks were in progress. What was negotiated there included, among others, a very radical mechanism of the valorisation of wages, which secured the interests of hired workers in conditions of high inflation but simultaneously ruined the budget. The summer of 1989 brought a systemic breakthrough, but before it took place, in a gesture which cannot be denied heroism, the government decided to free prices of foodstuffs and to do away with the rationing system. Several weeks were enough to make shortages of goods on the food market disappear but the zloty found itself on the verge of hyperinflation. The latter became the problem to be addressed already by the subsequent cabinet.

## Conclusion

People living in the PPR were convinced of the permanency of the Soviet control over Poland and consequently, of the permanency of the communist experiment. That is why, when the linear optimism of its early phase collapsed, an attempt was made to capture its essence with the help of cyclical concepts.<sup>32</sup> Finally, it turned out that the epoch of communism, though frighteningly long when seen against the duration of human life, was yet limited in time and the very system was subject to internal evolution. This text constitutes an attempt at capturing one of the important aspects of this evolution. We must realize and remember that subsequent generations of reformers, once their mission was exhausted, kept functioning in the political reality and each of them left lasting traces in the form of certain paradigms of thinking about the economy. The sequence of these paradigms was also subject to natural biological processes as subsequent generations left the stage in a natural way. And one more remark. The author made an attempt to classify certain styles of thinking

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<sup>32</sup> Z. Landau, *Etapy rozwoju Polski Ludowej*, "Przegląd Historyczny", no. 2/1987.

and not specific people. Consequently, he consciously avoided ascribing specific people to specific generations. In particular, since, as it is in life, numerous cases of eclecticism can be indicated.

The reformers of the early years, that is supporters of the Polish road to socialism, enjoyed a short period of satisfaction after 1956, again in the Solidarity times and finally, in the late years of their life they became authorities for the last generation of the reformers of socialism.

The adherents of the Stalinist orthodoxy could feel satisfaction in the Gierek period, particularly in its second part and again, for a short time, in 1985.

The supporters of the self-government reform and the Yugoslav models had a feeling of return to the roots in the Solidarity times. Then, they could expect that their way of thinking would become dominant after the fall of communism. Let us keep in mind that the concepts in question were underpinned by serious arguments of ethical nature, shared by countless Solidarity movement supporters. The fact that finally the economic policy of the post-1989 governments moved towards economic liberalism constituted a profound disappointment and left behind a feeling of having been betrayed by the elites,<sup>33</sup> with all its negative consequences.

The most interesting in numerous respects (and the least explored in the literature) is the generation of the 1966 reformers. The undeniable merit that they must be credited with was freeing economic discourse from the omnipotent domination of ideology. It was a breakthrough comparable to freeing other sciences from the domination of theology in the late Middle Ages. The 1966 reformers did not consider themselves Marxists and thus, they did not see any reason to settle their past scores after 1989. They believed themselves to be apolitical technocrats, whose competences were of supra-systemic value. To some extent that was true. However, there was one thing that made them different from their decade younger successors. They did not believe in the efficacy of market regulations. They were convinced that they could even be replaced with a system of bureaucratically created parameters. It was not them who shaped the great reforms of the 90s but after 2001 their influence began to prevail. In the process of European integration, they tuned to perfection the art of presentation of their own concepts as the alleged EU requirements. And one more thing that should be said about this generation. In the second half of the 60s they were preparing for confrontation with revisionists. However, unexpectedly, in 1968, the attack at revisionists, by no fault of technocrats, assumed the form of an antisemitic campaign.

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<sup>33</sup> D. Ost, *Kłęska „Solidarności”*. *Gniew i polityka w postkomunistycznej Europie*, Wyd. Muza SA, Warszawa 2007.

Technocrats wanted to win but not in this way and not with such methods. They had the right to feel disgusted and refuse to cultivate the memory of that confrontation.

The generation of 1976 reformers chose to move in the direction of market liberalism. It was not that generation that set the tone at the Round Table but immediately afterwards they took responsibility for the radicalism of the reforms of Balcerowicz. With time, pushed to the margin by the bureaucratic counteroffensive, they radicalised their positions moving towards the extreme concepts of the Austrian school, which is likely to mean their permanent marginalisation.

The generation of the 1986 reformers was an intra-systemic phenomenon and left the political scene together with the fall of communism, though it did play some role later under the Democratic Left Alliance governments.

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