

# Generations of Reformers of the Polish People's Republic (PRL) and Their Intellectual Heritage\*

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## Abstract

*The paper provides an account of the consecutive, and ultimately failed attempts to reform the socialist economy of the Polish People's Republic (PRL). It is structured in a chronological manner: first, the early years of PRL before the consolidation of power by the Communist party are analyzed, secondly, the Stalinist period is discussed, thirdly, the aftermath of 1956 and experiments with decentralisation and worker self-government are screened, fourthly, the late years of Władysław Gomułka's and early years of Edward Gierek's age (1966–1976) are looked at, fifthly, the breakdown of Polish economy and years of stagnation (1976–1986) are debated, sixthly, and finally, the last years of real socialism are subject of scrutiny. In each of the periods analyzed, actual political developments are confronted with lively intellectual debates. And it is not a coincidence that subsequent waves of 'reformist' ideas do not match with political turning points.*

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## Introduction

The paper provides an account of the consecutive, and ultimately failed attempts to reform the socialist economy of the Polish People's Republic (PRL). It is structured in a chronological manner: first, the early years of PRL before the consolidation of power by the Communist party are analyzed, secondly, the Stalinist period is discussed, thirdly, the aftermath of 1956 and experiments with decentralisation and worker self-government are screened, fourthly, the late years of Władysław Gomułka's and early years of Edward Gierek's age (1966–1976) are looked at, fifthly, the breakdown of Polish economy and years of stagnation (1976–1986) are debated, sixthly, and finally, the last years of real socialism are subject of scrutiny. In each of the periods analyzed, actual political developments are confronted with lively intellectual debates. And it is not a coincidence that subsequent waves of 'reformist' ideas do not match with political turning points.

The title wording needs to be explained and made more precise. Let us begin with the concept *generation*. The search for a key to the understanding of social, political and mental changes in the succession of generations has had a long tradition in the Polish literature. Kazimierz Wyka's work on literary generations is among the classics (Wyka 1977), a book by Bogdan Cywiński about the *rebellious* generation born after the fall of the January Uprising (Cywiński 1972) and Roman Wapiński's monograph on the generations of the 2<sup>nd</sup> Polish Republic (Wapiński 1991). The rearrangement of the evolution of ideas based on the succession of generations allows for noticing trends deeper than the individual evolution of ideas. It may also be said that people who are formed in a certain paradigm in their youth retain their basic foundations in the later periods of their lives. The applied chronology may raise some doubts, which is particularly true about the first two generations divided by a very short period of time. In this case, we cannot actually talk about two successive generations in a biological sense. However, at the same time, the political situation between 1946 and 1948 changed so radically that completely different environments began to set the tone. In a later period, a ten-year interval might no longer have raised such objections.

The idea of reforms in a socialist economy was often narrowly understood as an intra-systemic transformation. And the fundamental transformations, the ones that introduced a new regime or those that liquidated it later, deserve a more explicit name, e.g. a systemic transformation. In this sketch we depart from this division. As a reform, we define the whole set of changes postulated by every generation. It is not

by chance that the title refers to the *reformers in the PRL* in a purely chronological sense, and not to the *reformers of socialism*.

In the sphere of economic policy, the pursuit of reform is a permanent state. The need for reform is being discussed nearly all the time. The periods when the status quo is accepted and there is only an issue of its continuity are exceptional. It was not any different in the communist times. The rhythm of successive reform attempts set the chronology of development of the situation. The author has two goals: the chronological rearrangement and typologisation of reform aspirations in the PRL and the presentation of certain ways of thinking continued after the 1989 breakthrough. As a matter of principle, it is certain ways of thinking that were subject to typologisation rather than the specific people, so this work is not a biographical guide through reform environments.

The research of the PRL economic history is quite advanced; initiated already before 1989 (Jeziński, Petz 1988; Landau, Kaliński 1986), and developed after 1989 (Kaliński 1996, Jarosz, Kaliński, Zawistowski 2003), continuing in two streams. The first one is focused on the study of long-term structural changes in the economy (Kaliński 1995). The second one's focus is on the political context of making breakthrough economic decisions affecting the economic development of the PRL (Dwilewicz 2008). These studies provide the basis for an attempt at theoretical reflection based on the historical material.

Maciej Bałtowski (2009) distinguished three stages of reflection on the socialist economy. The first stage was dominated by the description of an idealised model, which was inherently better than the market economy and free from its flaws. The authors of this period did not describe the actual economy, but what resulted from the theoretical assumptions of the Marxism. From the point of view of the authors discussing this period, the superiority of socialism over the market economy was stemming, for example, from the fact that the economy became *one big factory*. It was to increase the innovation of the economy and to eliminate the costs of competition. The socialist economy was perceived in this way not only by Marxists, which was obvious, but also by such renowned independent economists as Joseph Schumpeter (Schumpeter 1995). At the second stage, begun in the period of the Khrushchev thaw, the weaknesses of the real socialist economy began conspicuous, first of all the excessively centralised governance. In this situation, a postulate emerged of socialism reform which should consist in the decentralisation of governance. Together with the abandonment of mass terror and partial liberalisation of the system, it was meant to be a target model of socialism with a human face. And eventually, the third stage,

which began in the late 1970s, was prompted by the disillusionment with reforms and based on the assumption of a fundamental irreformability of the system.

This division, though generally correct, may be nuanced. It seems appropriate to divide the reforms of the PRL time into six epochs. The first two served the installation of the new system, the two subsequent ones attempted to correct it, the fifth was meant to minimise losses in view of an obvious disaster and to wait for a better political situation to come. Finally, the last epoch made a delayed attempt to make use of a different political situation. Interestingly, the chronology of these reforms only partially coincides with the chronology of political history.

## 1. Reforms of the First Post-War Years. In Search of the Polish Road to Socialism

In the early years of communist rule in Poland, two flagship economic reforms were implemented: the agricultural reform and the nationalisation of industry. The agricultural reform was introduced by the decree of 6 September 1944 of the Polish Committee on National Liberation. The principles of the agricultural reform are well-known. Let us focus here on two aspects of the reform. Firstly, this sort of solution was nothing unique in Europe. In the interwar period, most Eastern European countries conducted reforms of some kind. On the other hand, in practice the reform was given a confrontational social *class* character. The agricultural reform was to respond to a traditional postulate put forward by the folk movement, although the enthusiasm was cooled down by fears of collectivisation that could follow. The nationalization of industry was introduced by Act of 3 January 1946 of the Polish National Council. In the case of nationalization, contrary to the agricultural reform, compensation was provided, due to a large share of foreign capital in the Polish economy. If Poland was not to be isolated and become subject to economic sanctions, it had to respect civilized standards in this case. In practice, it meant that real damages were paid to foreign shareholders of Polish companies (of course, it did not concern Germans), and over time the domestic shareholders were offered some ersatz compensations in securities. Nationalisation was really not specific to the Soviet sphere of influence. In many Western European countries, including France and the United Kingdom, nationalisation reforms were carried out in this period. In conclusion, both fundamental reforms of the first post-war years did not yet imply the isolation of Poland from the world economy.

In both major reforms, the Polish Workers' Party (PPR) was able to rely on the support of both the Polish Socialist Party (PPS) and the Mikołajczyk's Polish People's Party (PSL). During this period, they spoke of *the Polish road to socialism* and communists themselves denied intending to introduce the Soviet pattern in Poland. The distinction of the Polish road to socialism consisted in abandoning the collectivisation of agriculture (i.e. the creation of collective farms) and in the preservation of the trisectoral model of the economy, with enough space for the private sector as well as the cooperative and state sector. PPS was most engaged in defending such a concept. In 1945, the Central Planning Office (CUP) was established, with PPS president Czesław Bobrowski, who prepared a 3-year Plan for the period 1947–1949. The objectives of the plan were to integrate the Recovered Territories with the rest of the country and to recover the pre-war level of production, consumption and national income. In 1947, the political situation changed so much that the first period was over.

## 2. Stalinist Age Reform.

### Mirage of the Great Acceleration

A fundamental turn in the economic policy was completed in the years 1947-1948. Stalinists came to the fore. The Cold War intensified. The economic problems faced by the world economy destroyed by the war were interpreted as a signal of the final defeat of capitalism. The rejection by Eastern European countries under the pressure of the Soviet Union of the Marshall Plan put a final seal the division of the continent into two parts. In this situation, Stalin decided to consolidate the Soviet zone of influence. The essential decisions on this issue were made at the Conference of Communist and Workers' Parties at Szklarska Poręba in September 1947. The Soviet response to the Marshall Plan resulted in the Council of Mutual Economic Assistance (CMEA) established in 1948. This event meant a departure from the Polish road to socialism and the acceptance of Soviet patterns as universally legally applicable (Luszniewicz 2009). It was accompanied by a growing terror, the elimination of the facade of democracy and the crackdown on socialists, which was held in two rounds, closely related to the economic policy.

Already in summer 1947, the so-called battle for trade was held, which can be considered the first phase of the Stalinisation of the economy. Under the pretext of fighting high prices, the so-far ally (PPS) with its trisectoral model concept was

attacked. In February 1948, the so-called CUP discussion began. The CUP executives were accused by communist Minister of Industry and Trade Hilary Minc of the use of bourgeois methods in economic planning and underestimating the role of heavy industry. The discussion, which was primarily a unilateral attack, resulted in the dismissal of Czesław Bobrowski and the communists' control of CUP.

Hilary Minc became a dictator in the area of economy and stood at the head of the State Economic Planning Commission (PKPG), which replaced CUP. In the years 1950–1955, a 6-year plan was implemented, officially called the blueprint for building the foundations of socialism. It alluded to the Soviet industrialisation model, formed in the USSR in the latter 1920s and carried out in the next 5-year Plans. The idea of the model was to reverse the traditional order of industrialisation. The heavy industry was to develop first, to be followed by the light industry. This meant that the economy worked not really to meet the consumption needs of the society but to increase its own potential. The 6-year Plan was to be a period of intensive development at the expense of tightening the belt and reducing the consumer aspirations of the society.

However, maintaining the consumption of society at a low level required meeting the basic needs, at least in terms of food, which was intended to achieve through artificially low prices from agriculture, which paid the price of such a model of industrialisation. In order to improve the collection of tribute from agriculture it was to be collectivised, i.e. farmers were to be deprived of individual property of land and to be driven to the cooperatives subordinated to the state. Another feature of the system was very strong autarchic tendencies, namely the pursuit of economic self-sufficiency. What was interesting about the Szklarska Poręba decisions, is the fact that every socialist country was to copy the Soviet model with its aspirations for self-sufficiency. In the 1930s, when this model was introduced in the USSR, it was possible to argue that the USSR could not become dependent on the capitalist environment. But now, there was a bloc of socialist countries. Since the dependence on capitalism was out of question, it was possible to strive for self-sufficiency within the Council for Mutual Economic Assistance (CMEA). Meanwhile, everyone was supposed to strive for self-sufficiency on their own. At this point, it became clear that the autarchic tendencies constituted a non-transferable and sustainable element of the Soviet economic model. Let us remember, however, that to a certain degree they were justified by military reasons. The threat of nuclear weapon made the dispersal of targets a rational move.

The initial assumptions of the 6-year plan were very ambitious. More than a thousand new industrial plants were planned to build. Let us remember, however,

that the strenuous industrialisation undertaken in such a situation was implemented in isolation from the world economy, as if wrapped in cotton wool, without exposing its effects to the verification of market demand. In the early years of the 6-year plan, the authorities sought to arouse enthusiasm and thus motivate people to work. People were promised social promotion associated with the transition from rural to urban areas and with the new educational opportunities. At the same time, propaganda promised a rapid increase in the standard of living. After a few years, such a propaganda formula exhausted its capabilities. The people who moved from the country to town actually had a sense of promotion, but at the same time they paid a price, as they lost touch with their roots. And the expected rise in the standard of living was extremely slow, much slower than expected. The blame was to be put on the structure of the economy in which meeting the consumer needs of the society was treated, at best, as a necessary evil. The drawbacks of the planned economy were more and more conspicuous. As a matter of principle, it was to be more efficient from what it like was in the West. In practice, it turned out to be inept and unreasonably centralised, with the effort and zeal that people initially treated work with being simply wasted.

The socialist economy, based on the Soviet pattern, posed an illusion of catching up with well- developed countries by avoiding overproduction crises specific to the market economy. The diagnosis concerning the collapse of capitalism proved to be dramatically erroneous. Indeed, the Stalinist economic experiment ended in collapse. It was not possible to change the place of socialist countries in the international division of labour. Primarily, they were still providers of raw materials. And the isolation from the world economy was reinforced, taking the form of a sustainable backwardness and pauperisation of society.

### **3. Reformers of 1956. Decentralisation and Self-Government**

The generation of reformers of 1956 was recorded history under the name revisionists. They opposed Stalinism but believed in the essentials of Marxism and the possibility of making them less repressive and more pro-social in character. Destalinisation, which began after Stalin's death in 1953, reached the culmination in 1956. In February, at the 20<sup>th</sup> Party Congress held in Moscow, Nikita Khrushchev condemned the crimes committed by Stalin. In October, there was a political breakthrough in Poland. During

the 8th Plenary Session of the Central Committee of the Polish United Workers' Party (KC PZPR) Władysław Gomułka was entrusted the management of the party. No longer did the Polish model of socialism have to emulate the Soviet pattern in every detail. During the October breakthrough, the Stalinist economic system was openly criticized, with the Yugoslav model of socialism to become the pattern to follow. In the economic area, the fundamental change consisted in the acceptance of individual agricultural property and the abandonment of collectivization.

In 1956, the need for economic reform was openly pronounced. The basic principles were not questioned, i.e. the *social ownership of the means of production*, but the excessive centralisation of economic management was criticized. The self-government of workers based on the Yugoslav model became a solution. The reform going in this direction, however, was torpedoed by Gomułka, fearing (which may have been right from his point of view) that there was no guarantee for the party to have a decisive voice in the future within such a system of self-government. Therefore, the movement of the workers' self-government was finally incapacitated in 1958 by the creation of bureaucratized structures of the Conference of Workers' Self-Government (KSR), this time entirely controlled by the party. The discussions on the reform were conducted on the forum of the Economic Council, founded in 1957. The council was a governmental advisory body. It associated the most distinguished Polish economists. It was headed by Oskar Lange, with vice-presidents: Edward Lipiński, Michał Kalecki and Czesław Bobrowski. The council opted for the decentralisation economic governance, but its suggestions were rejected in the 1958 by the PZPR management. The council was finally dissolved 1963.

Polish post-October reforms should be included in a broader context of reforms in socialist countries. Yugoslavia, condemned by the USSR in 1948 and left on its own, developed a self-governmental economic model. The decentralisation programme, launched in 1950, assumed a wide independence of companies in which the workers' self-government was to play a crucial role. This change was to be followed by the change in the state system. The ruling Communist Party was to disperse in the national movement and the legislative authority was to be divided into two chambers: the Federal Council, representing the federal republics and the Council of Producers, representing the self-government of state-owned enterprises and cooperatives (Prijevec 2018: 4228–4429). Stalin's death and the relaxation in the relations with the USSR weakened the radicalism Yugoslav reforms and led to the political downfall of their ideologue Milovan Djilas. Nevertheless, the self-government model was continued until the 1965 reform, when it had to be modified as it proved to be too inflationary.



The weaknesses of the Stalinist model were also seen by Soviet leader Nikita Khrushchev. The time of his rule was also a period of decentralising reforms. Khrushchev made the planning periods longer, replacing five-year plans with seven-year plans. The power of the central authorities was limited in favour of the Regional Economic Soviets (Sovnarkhoz) (Pichoja 2011, 234 ff.). The Stalinist, militarised management system was to be replaced by artificial and bureaucratic parameters determining the performance of independent entities. Over time, there was also an idea of dividing the entire state and party administration into two sectors: urban and rural. Khrushchev's reforms led to chaos and social tension, culminating in the riots in Novocherkassk. This, along with the defeat during the Cuban Missile Crisis led to the Khrushchev's fall October 1964.

Before we look at the effects of the self-government reforms, let us make another remark. At the turn of the 1960s, the result of the historic rivalry between socialism and capitalism was not settled yet. The West rightly pointed out to the communist states that the system operating there was based on enslavement. But the economic superiority of the market economy had not been proved yet beyond any reasonable doubt. Some indications of the Soviet technical advantage, for example in the first phase of space expansion or in a militarily important missile technology made the picture of the rivalry of two systems even more complex. Khrushchev seemed to be convinced of good prospects for a historic victory of socialism in a peaceful rivalry with capitalism. It was when communist leaders, if ever in the history, could have really felt that they were winning the rivalry with capitalism.

Khrushchev's bragging that the USSR in 20 years' time will surpass the United States in terms of standard of living sound ridiculous today. And some considered them ridiculous even then. But let us emphasize the role they played in the internal Soviet political discourse. Khrushchev struggled with a militant, Stalinist fraction that preached a traditional thesis about the inevitability of war. The idea that the USSR could win the rivalry with the US as part of peaceful coexistence put Stalinists on the defensive, because it forced them to verbalise scepticism about the natural superiority of the socialist system. From this point of view, Khrushchev's bragging was clever and played a positive role.

On the other hand, President John F. Kennedy, when informed by the CIA about the real potential of the Soviet Union, decided that the Soviet boastfulness was not worth taming, as no one could be better than Khrushchev at persuading the Americans that it was necessary to increase the expenditure on armament (Fursenko, *NAFTA* 2007).

The mechanism of failure of the reform of the Khrushchev epoch came as a surprise. Naturally, the parameters invented by economists to substitute the market did not work. They were a strange and naive mixture of the pseudo-market impulses referring to the interests of all those concerned and ideological platitudes calling them to behave in an altruistic way. They were doomed to fail. However, the real market situation did work, with shortages being its dominant feature. In this situation, the economic rationality demanded the widest possible range of self-sufficiency. Autarchy, once proclaimed at the state level, now descended to the local level. Each region sought to become self-sufficient and, due to the lack efficient exchange mechanisms, it led to more severe shortages. In the classical Stalinism, it was possible to extort (through terror or ideology) an altruistic break of autarchic tendencies. After Khrushchev, when the party staff ceased to feel a direct threat of terror, and at the same time tasted a certain dose of independence under the *self-financing settlement*, it was no longer possible.

## 4. Reformers of 1966. Parametrisation and Technocrats

The distinguishing of the generation of reformers of the latter 1960s may not seem that obvious. Generally, the entire period from the 1956 to the end of the Brezhnev rule is treated as a self-contained whole. It seems, however, that it is possible to make an internal caesura within this period, dividing it into two different epochs. The generation of reformers of 1966 can be called technocrats.

Khrushchev's downfall was caused, among other things, by the economic chaos due to the decentralising reforms. The discovery made in this period was the fact that autarchic tendencies were an immanent feature of the system, triggered by ubiquitous shortages. The decentralization of decisions makes these tendencies descend to lower levels, numbing the exchange mechanisms (Morawski 2013: 95–99). In this situation the centre must impose the exchange, and unlike in the Stalinist era, it can no longer resort to terror or to the purely ideological motivation. Let us focus on one criterion to tell the 1956 reformers from the 1966 reformers. The former complained about the omnipotence of the centre which, fearing the loss of control, did not want to let all the strings go. The latter complained about the powerlessness of the centre, which did not deal with the egoism of particular interests (Zieliński 1974: 83 ff.).

At the same time the armament race led to the actual parity between the USSR and US. The United States, entangled in the Vietnam War, sought agreement with the

Soviet Union and was ready to accept its superpower position and the division of the world resulting from it. The USSR lost the value of the leader of the world revolution, gaining instead a strong position of a traditional superpower. It conduced to the weakening of ideological struggle, shifting focus towards technocracy and efficient management. The information revolution that gained momentum seemed to favour it, too. The application of modern computational techniques in the service of a central planner seemed to be a remedy for its increasingly distinct powerlessness. Only modern, scientific mathematical methods gave hope to break systemic weaknesses, not the ideological motivation or terror. In Poland, such hopes were expressed by eminent economists: Oskar Lange (Lange 1966), Michał Kalecki (Kalecki 1963) and Aleksy Wakar (Wakar 1963).

A green light for reform was lit up in the USSR. The eighth 5-year plan (1965–1970) was to be the period for the system of reform planning (Pichoja 2011: 281). According to the assumptions, the plans were to be formed at the bottom, not at the top. Having regained the sectoral structure to replace the territorial structure, the centre was to coordinate the whole with appropriately selected parameters and complex mathematical models. The reforms whose animator was Prime Minister Alexei Kosygin led to the release of discourse on economic issues from the ideological pressure and its domination by technocrats. Despite the partialness of solutions, the eighth 5-year period is thought to be one of the best in the economic history of the USSR. The market economy, functioning according to the principles of the welfare state and the communist economy, losing its revolutionary zeal and aiming at efficient management seemed to be similar to each other. The theory of their reciprocal convergence gained popularity.

The end of the reforms, however, was marked by the Soviet intervention in Czechoslovakia. For some time, within the communist movement democratising tendencies had become increasingly popular. In 1968, Czechoslovakia launched a process of reform under the general slogan *socialism with a human face*. The USSR and four other states of Warsaw Pact (excluding Romania), having hesitated, decided on the armed suppression of this movement. During the discussion before the intervention, Kosygin spoke strongly against this solution. He did so believing that the intervention would strengthen the conservative and dogmatic forces in the USSR, so that further reforms would not be possible. And it did happen – 1968 saw an end to economic reforms in the USSR. Moreover, now the Soviet Union was vitally interested in destroying similar attempts in other socialist countries. After several years, the management reform in Hungary entered a hibernation phase. Similar reforms taken in Yugoslavia ended in 1972 with a hunt for *liberals and managers*. The

Yugoslavs assessed the situation so that 'after the intervention of the Warsaw Pact in Czechoslovakia, the Soviet Union could not allow economic reforms in Jugoslavia to become successful. This would mean that *socialism with a human face* is possible'. (Prijevec 2018: 654)

In Poland, a permanent effect of Kosygin's reforms was the emergence of mathematised ideological Wakar school (Bartkowiak, Ostrowska-Kubik 2015: 145 ff.) in the Central School of Planning and Statistics. In a short time, it changed the nature of economic discourse in Poland. Władysław Gomułka, was anxious about the success of economic integration with Western Europe, in contrast with the actual disintegration of CMEA. Gomułka feared that the Warsaw Pact would fall apart before Poland could obtain the recognition of the border on the Oder and Nysa (Morawski 2007: 326). It resulted in ineffective attempts to revive the CMEA. In the years 1968–1970, reforms were implemented in Poland, with Bolesław Jaszczuk to become the face of them. He considered the autarchic tendencies of the socialist economy to be harmful and was going to fight them through the policy of the so-called selective development. Poland should focus on some of the industries that gave an opportunity to export and others should be dismantled. The diagnosis was correct, but the prescription was wrong. The problem was that it was not the market to make this selection. It was to be imposed by administrative methods. The shipbuilding was mentioned among the liquidated industries. Jaszczuk's second move was to rationalise wages, to link them to the work efficiency. The problem was, however, that the poor labour productivity did not stem not from the laziness of workers, but from the general mess and bad organization of work, for which floor workers could not be held responsible. Now they would bear financial consequences. Eventually, Jaszczuk's last idea was the reform of prices. A rebellion broke out against this idea and it swept the Gomułka team away. Edward Gierek became the head of the party.

The new team announced a change in the economic policy. The concept of selective development was replaced by a new concept of harmonious development. The decisions on the liquidation of the selected industries were withdrawn and the economic growth was to be carried out in parallel with the growing consumption levels. Gierek could take advantage of a serious reserve, inherited from the previous team. Gomułka, afraid of the country's dependence on foreign capital, left Poland practically without any debts. The new team boldly reached for this source. Thanks to the credits and purchase of licences, the Polish economy was to modernise rapidly, and then to repay debts thanks to the export of modern products.

The early 1970s seemed to confirm that this concept was right. The subject of the economic reform returned. Under Gierek's rule, they took the form of WOGs, i.e. Large Economic Organisations. They were state-owned, socialist groups, autonomous in employment and wages. Up to 1975, 125 WOGs were established, including 110 industrial ones, which jointly contributed to 65% of the domestic output. Over time, it turned out that WOGs tended to raise both employment and wages and therefore became an inflationary factor. In addition, the WOG reform contributed to the concentration of industry. While in 1970 only 17% of employees in the industry worked in plants employing more than 1000 workers, in 1980 this ratio increased to 72%. This gigantomania had social implications: the demise of the small industry meant that, for a large part of society, commuting to work became a very serious problem. Creating powerful bastions of the working class, the party in a sense, shot themselves on the foot. In 1980, it was these giants with a multi-thousand workforce that became the strongholds of *Solidarity*.

## 5. Reformers of 1976. Bankruptcy Receivership

After 1968, in the Soviet Union, the Brezhnev stabilisation changed into stagnation, and the Brezhnev doctrine of a limited sovereignty of socialist states blocked the possibility of reform in the whole bloc. And the 1970s saw an economic downturn and another two oil crises. The result included the abandonment of Keynesian policy in the west and the return to economic liberalism. The hope for the convergence of the two systems ultimately collapsed. When the West overcame the crises, it turned out that the historic rivalry was settled. The socialist system did not meet the requirements of technical progress as well as the standard of living. There was a breakthrough in Poland in 1976, when Gierek's experiment collapsed. A conviction of irreformability socialism prevailed. The reflection of this type was initiated by Alain Besançon (Besançon 1991) and Stefan Kurowski (Kurowski 1980). In the work of Besançon of 1981, there is a vision of a lunar economy, detached from the reality, unable to develop and innovate, i.e. doomed to a historic failure. Besançon distinguished three sectors in the socialist economy. The first sector, working for the force ministries, had to try to keep pace with its Western counterpart, although it occurred at a growing cost. The second sector, the largest, involving civilian production was sunk in apathy and really could exist only when parasitising on the third sector, in which the market elements

were preserved. The Kurowski theory concerned primarily the Marxist theory of value and its practical effects. The work of János Kornai (Kornai 1985) turned out to be the cornerstone in the reflection on real socialism. The author freed himself from the artificial language of the political economics of socialism and began to describe real socialism in terms of concepts relevant to the market economy. It resulted in the exposition of the idea of shortages as a state determining the socialist economic system. The analysis of the effects of this fact represented enormous progress in the reflection on real socialism. However, Kornai wrote his work in a specific situation. In Hungary, disputes were being held about the economic reform. The positions of conservatives were still strong. In this situation, Kornai had no full freedom to formulate conclusions. Specifically, he had to be cautious where the negative effects of decentralization came into play. The discrepancy between the growing conviction of the fundamental irreformability of socialism and the support for reforms put Kornai in an awkward position (Kornai 2008: 281–282) and forced him to formulate such devious theses: 'The economy of scarcity is an internal, system-specific characteristic feature of the socialist economy, whose reforms can alleviate it slightly, but they will never remove it' (Kornai 1985: 742).

The term *reformers of 1976* should be treated arbitrarily. In general, it is about the generation, which did not experience the disappointment of socialism. Born too late to be deluded, they were fully aware of the historic disaster of the system. At the same time, however, they knew that the political circumstances did not allow for radical consequences at the moment. The remnants of the system should be used to create something suitable for relatively normal functioning and in such a condition to survive till a better economic situation. In such a climate, the democratic opposition had to operate, so did the mass movement of *Solidarity* after 1980.

In September 1980, the Committee for Economic Reform was established, referring to the tradition of the Economic Council of 1957. The reform plans on part of the government and *Solidarity* went in a similar direction: the decentralisation of economy and independence of enterprises. The difference lay in the methods of appointing directors. *Solidarity* wanted them (Luszniewicz 2008) to be elected by the workers' self-government (the Yugoslav model), the authorities wanted them to be appointed by the founding authority, i.e. the top-down (the Hungarian model). In autumn 1981, before the martial law, two laws were enacted by the Commission headed Władysław Baka: on the state enterprise and the staff self-government in a state enterprise. Enterprises were to operate following the central plan, but on the basis of their own economic rationality. However, this rationality did not result from

the market conditions, but from a mix of market regulations and artificial parameters created by the central planner. The attempts to combine the economic rationality with the maintenance of authority of the centre were a task similar to the squaring of the circle, and the self-government of companies, on account of the power of NSZZ *Solidarity (Independent and Self-Governing Trade Union)*, threatened the authorities with losing control of the economy. At that time, the views of the 1976 reformers evolved towards economic liberalism and market economy, but this evolution was camouflaged for tactical reasons. It might not have deceived the authorities, the main addressee of the camouflage, but it did deceive a large part of the companions in struggle from *Solidarity*. In this way, the reasons loomed behind the future rift in the movement and the disillusionment experienced by many *Solidarity* people after 1989.

In December 1981, martial law was imposed. The remaining laws worked out by the Committee for Reform were introduced in the first months of 1982. In February, there was a large price rise of approximately 100%. However, it was only a rise in prices, not their release, which could trigger the market mechanism. Laws declaring the equality of the three sectors: state, co-operative and private were enacted. In some segments, the reform introduced rational principles. It was the case in banking. The appointment of the Central Bank (NBP) governor, so far in the competence of the government, was shifted to the parliament. The new Law made the governor liable for the condition of the zloty.

The martial law authorities declared determination in introducing the reform. In 1982, the Consultative Economic Council was established, headed by Czesław Bobrowski. Władysław Baka was appointed Minister for the Economic Reform (Grala 2005; Baka 2007). At the same time, however, the decentralising character of the reform remained in a fundamental contradiction to the logic of the martial law as well as a typical military way of thinking in which discipline and control played a key role. In the public perception, the reform was associated primarily with the rise in prices, which reduced the support for it. Meanwhile, the Polish economy was in an increasingly severe isolation from the world economy. It was due to the debt crisis and the sanctions imposed by the Western countries in relation to the martial law.

Meanwhile, the opponents of the reform began their counterattack. In May 1985, the Government undertook the issue of the *modernization of metallurgy*, which meant that this industry was actually removed even from the imperfect mechanisms of reform. In summer 1985, Zbigniew Messner became the Prime Minister. He was in opposition to the reforms and shifted Władysław Baka to the margin. However, the success of opponents of the reform was temporary. The beginning of Gorbachev's

reform in the USSR and the collapse of the Soviet economy due to the decline of oil prices in 1986 undermined the belief in the possibility of recovery of communism.

## 6. Reformers of 1986. Delayed Return to Sources

In 1985, Mikhail Gorbachev came to power in Moscow. After a few months, it became clear that the USSR was entering profound reforms. Thus, the scope of independence of socialist countries became wider. The final phase of socialism resembled the first one, as the leaders saw a chance to revitalize the economy through the *return to the sources*. In the USSR, Gorbachev alluded to the tradition of the New Economic Policy (NEP) from the first half of the 1920s, in Poland the inspiration came from the CUP and the concepts of the first post-war years. The similarity between the first and final periods of communist was indicated by (Kaliński 2018).

In the autumn of 1986, the authorities opted for liberalisation, releasing all political prisoners. In November, in the Committee for Economic Reform a project of the second phase of the economic reform appeared. Eminent economist Zdzisław Sadowski was appointed Deputy Prime Minister responsible for the implementation of the reform. In October 1987, the project of the second stage was ready. However, since the background of the Messner government was fragile, general Wojciech Jaruzelski decided to put the project to a referendum. It was held in November 1987 but did not have an explicit effect (the majority of voters were for, but the turnout was not sufficient to make it legally binding). Nevertheless, at the beginning of 1988, the Government proceeded to implement the second stage of the reform. On 1 February 1988, there was another price rise. In response, a wave of strikes broke out. As early as at the planning stage of the reform, the process of radicalisation slipped out of the government's control and at the stage of implementation the so-called price-income operation resulted in an absolute collapse. Instead of balancing the market, it triggered a spiral of inflation. The government got such a scare that in May 1988 it applied to the Sejm for extraordinary powers, which actually shattered the sense of the reform. It was a signal that the political capacities of the Messner government had been exhausted.

In September 1988, the government headed by Mieczysław Rakowski was formed. The formulation of the government took effect in a completely new political climate. Talks began with the opposition. They soon led to the round table talks. In



this situation, Rakowski proposed several Solidarity opposition related people to enter the government. He met with a refusal, but private entrepreneur Mieczysław Wilczek was appointed Minister of Industry. Nevertheless, in December 1988, the Government carried out several economic laws of major importance in the Sejm. The most important one introduced the freedom of business. In March 1989, the foreign exchange law was amended to allow for the trade in foreign currencies. This was an important step on the way to restoring the zloty convertibility. In parallel, the round table talks were being held. The negotiations resulted, for example, in a very radical wage valorisation mechanism that secured the interests of workers in the time of high inflation but ruined the budget at the same time. The 1989 summer brought a systemic breakthrough, but before it took effect, the government came up with a gesture whose heroism cannot be refused, namely, it decided to release food prices and abolish rationing. The shortages of supplies on the food market disappeared in a few weeks but the zloty was on the verge of hyperinflation. This problem had to be tackled by the next cabinet.

## Summary

People living in the PRL believed in the sustainability of the Soviet control over Poland and, consequently, in the sustainability of the communist experiment. Therefore, when the linear optimism of its early phase broke down, there was an attempt to grasp its idea through cyclical concepts (Landau 1987). Eventually, it turned out that the communist era, although on the human life-scale depressingly long, was limited in time, and the system itself was subject to internal evolution. This text is an attempt to grasp one of the important aspects of this evolution.

It is worth observing that the successive generations of reformers, after exhausting their missions, continued to function in the political reality, and each of them left permanent traces in the form of certain paradigms of thinking about economy. The sequence of these paradigms was also subject to natural biological processes as the subsequent generations naturally descended from the stage.

And another remark. The author attempted to classify certain styles of thinking rather than specific people. Therefore, he deliberately avoided including specific characters to a particular generation. Especially that, as in real life, a number of cases of eclecticism may be indicated here.

The reformers of the first years, or proponents of the Polish road to socialism, survived a short period of satisfaction after 1956, and again in times of *Solidarity* and then, at the end of their lives they became authorities for the last generation of reformers of socialism.

The proponents of the Stalinist orthodoxy could have had a sense of satisfaction in the Gierek era, especially in its second half and again, briefly, in 1985.

The proponents of local self-government reform and Yugoslav patterns had a sense of root in the era of *Solidarity*. Then, they could hope that their way of thinking would become dominant after the fall of communism. It is worth remembering that, behind these concepts, there were serious ethical arguments, shared by numerous followers of the *Solidarity* movement. The fact that ultimately, the economic policy of governments after 1989 shifted towards economic liberalism came as a deep disappointment and left behind a sense of betrayal of the elites (Ost 2007), with all the negative effects.

The generation of reformers of 1966 is, in many respects, the most interesting (and worst examined in the literature). Undoubtedly, their merit was the release of economic discourse from the omnipotent domination of ideology. This was a breakthrough comparable to that of the liberation of other sciences from the domination of theology at the close of the Middle Ages. The reformers of 1966 did not regard themselves as Marxists, so they saw no reason to account for their past after 1989. They considered themselves apolitical technocrats, whose competencies were of a supra-systemic value. In a sense, it was really like this. But one thing distinguished them from their one-decade-younger successors. They did not believe in the effectiveness of market regulation. They thought that they could or even needed to be replaced by the system of bureaucratically created parameters. It was not them to set the tone for great reforms in the 1990s, but after 2001 their influence began to dominate. In the process of the European integration, they mastered the art of presenting their own concepts as alleged Union requirements. We should say one thing more about this generation. In the latter 1960s, they were getting ready to confront revisionists. Unexpectedly, however, in 1968 the attack on revisionists took the form of an anti-Semitic campaign, not by technocrats. The technocrats wanted to win, but not in such a way and not using such methods. They had the right to feel disgusted and not to cultivate the memory of this confrontation.

The generation of the 1976 reformers moved towards market liberalism. It did not set the tone at the round table, but immediately afterwards they took responsibility for the radicalism of Balcerowicz's reform. Over time, pushed to the margin by the

bureaucratic counteroffensive, it radicalised to the extreme concepts of the Austrian school, which may mean a permanent marginalisation.

The generation of the 1986 reformers was an intra-systemic phenomenon, they left the political arena with the fall of communism, but later they played a role in the periods the Democratic Left Alliance (SLD) rule.

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