

What Went Wrong with the Transformation? Social Failures of the New System¹

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Abstract

Professor Tadeusz Kowalik (1926-2012) was the most outstanding Polish economist of social-democratic convictions in the post-1989 period. In the very first issue of WFES [vol. 1, no 1 (1)] we published his significant paper pertaining to the relation between economy and sociology ('Is Cooperation of Sociologists and Economists Possible and if so When?'). In the preface to the previous issue [vol. 3, no 1 (5)] we announced an article containing a synthetic presentation of Professor Kowalik's most essential views on political economy featured in selected works published in his final years. In this issue of WFES we hold our word and deliver the article as promised.

¹ The paper is intended as a tribute of the Editorial Board to the memory of Tadeusz Kowalik. The paper aims to summarize Kowalik's thoughts on transformation in Poland conceived in his final years. In particular, a book www.polskatransformacja.pl (published in English as *From Solidarity to sellout: the restoration of capitalism in Poland*) and a chapter ('Social features of the new system') from the book, whose title would translate into English as *Economic systems. Effects and Defects of the Reforms and Systemic Changes* are hereinafter quoted.

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1. Now is the Time to Assess the System

Although the fundamental decisions setting the direction of economic and political transformation in Poland were taken in 1989–1990, the historic change, unlike in the other post-communist states in the Eastern Europe, had in fact begun in 1980, in a rather spontaneous and unexpected way. Between the summer of 1980 and December 1981 the free trade union movement of the ‘Solidarity’ co-existed with the ruling Communist mono-party. Those 15 months were not only a time of conflict but also of a parallel transformation both within the government and the political opposition. The proclamation of the Martial Law (December 1981) moved the locus of power from the Party to the Army. In the 1980s a decomposition of the power structures and ongoing ‘commercialization’ of the large part of *Nomenklatura*, which was anticipating the ultimate downfall of the deteriorating political order continued. Less than nine years later the mono-centric system indeed collapsed.

In early 1989 the Round Table Accords endorsed a vast part of the original ‘Solidarity’ agenda. However, within not even half a year, Poland jumped headlong into the depths of a market economy, adopting the theory of F. A. Hayek and Milton Friedman and the practical applications of Ronald Reagan and Margaret Thatcher as guidelines. By doing so, it silently abandoned the programme for a ‘new economic order’ as settled in the Round Table Accords.

It did not take long before the social implications of such a political U-turn made by the government stemming from the freshly reinstated ‘Solidarity’ became visible in a full-blown form: widening income disparities, growing share of the society living in poverty or a firm resistance to any form of labour representation in the private sector of economy. And those processes continued, even though no single government was able to retain the power for two consecutive terms.

2. Main Features of the New System

Overall apparent nature of Polish post-1989 social and economic development and a relative consistency of the agenda practiced by subsequent governments make the task of evaluating the general social order shaped in the process of ongoing changes and defining the major features and tendencies typical for the new social order relatively easy. The key features of the new order emerging after 1989 are as follows:

Firstly, the highest unemployment in the entire Central Europe Poland. In the first half of 1990s the volume of registered unemployment was as high as reached 16%. After a short period of falling unemployment (1995–1998), the trend got reversed again and in the beginning of the new millennium oscillates around 20% (almost two and half times higher than the EU-15 average, and twice as much as in Germany or France). Only 15% of the registered with labour offices still have the right to unemployment benefits. And in such circumstance, the future of the young generation currently entering the market becomes a main concern. While this generation is best educated ever and largest in size in decades, neither jobs nor affordable housing await them. Yet, the power elites seem to have gotten used to the terribly large extent of joblessness.

The key decisions setting the course of systemic changes were taken during the economic rule of Leszek Balcerowicz, in the governments of Tadeusz Mazowiecki (1989–1990) and Jan Krzysztof Bielecki (1991). The successive governments of Jan Olszewski (1992), and especially the next government of Hanna Suchocka (1992–1993), based on a dispersed coalition failed to come up with any viable programme for combating unemployment. Only the cabinets of Józef Oleksy and Włodzimierz Cimoszewicz, when the economy was mainly the responsibility of deputy prime minister and minister of finance, Professor Grzegorz Kołodko, made exception to that trend. In the years of the SLD–PSL (Democratic Left Alliance and Polish Peasants' Party) coalition (1994–1997), efforts were taken to lower unemployment, and a significant advance was made in this respect. Less fortunate was the following government of AWS–UW (Solidarity Election Action and the Freedom Union) coalition (1998–2001) of Jerzy Buzek with Leszek Balcerowicz making a come back as his deputy, unsuccessful in their attempts to boots employment and growth. The statement by Longin Komolowski (1999), the former Solidarity activist, then minister of labour, who claimed that the natural unemployment rate in Poland was between 8 and 10 percent is a perfect illustration of the doctrine justifying high unemployment.

Secondly, a dramatic rise in the extent of poverty, much larger than in the other states of Central Europe. Researchers generally agree that the portion of families living in poverty in today's Poland is two to three times higher than 15 years ago. Above all, the enormous scale of poverty is the consequence of an excessive unemployment, and the fact that 85% of the unemployed no longer enjoy their right to unemployment benefits. Between 1996 and 2005, the number of people living below the biological subsistence level was increasing constantly. Within a decade, it nearly tripled, from 4.3 percent of the population to 12.3 percent, whilst the GDP rose by more than one-third.

Thirdly, majority of farmers experienced pauperization. According to various estimates, an average farmer income amounts again to 40% to 60% of an average income, just like in 1991, while only three years earlier (in 1988), the parity was 100%. And rural areas are definitely affected by unemployment in a very severe way.

Fourthly, all the facts and processes mentioned above result in one of most advanced forms of social inequality across Europe. Its sad expression is a society unevenly split into two parts: on the one hand, a large group of impoverished, and, on the other, a tiny minority of those who amassed fortunes, often through business activities conducted on the verge of the public and private spheres. As soon as in 1998, the research of one economist-sociologist prompted him to step forward with the following conclusion: 'Poland experiences the most unequal balance between severely low concentration of low income and very high (matching the level of countries richer than Poland) concentration of high incomes. In other words, **compared to other states of Central Europe Poland follows the most elitist model of income distribution**' (Milic-Czerniak 1998, bolded by TK)².

Fifthly, Poland is a disastrous case in terms of income discrimination of women. International comparative research (1995) showed that total monthly earnings (from main and secondary jobs combined) of a working woman makes up for merely 57% of the earnings of a man. Furthermore, this is the worst rate in all the six countries under research; not only from Hungary and Czech Republic, which may somehow be understandable, but also from Slovakia, Bulgaria and Russia. The situation is only slightly better (Poland surpasses Russia) with regard to the earnings from the main job alone (Domański 1996: 124). Women are still more prone to unemployment and poverty than men. They are also discriminated in the area of politics.

Sixthly, low availability of housing. As one may freely choose from a variety of expensive offers targeting the wealthy, almost no communal construction projects addressing especially the needs of nearly half of the families with incomes lower than social minimum threshold can be found. Thus, we are witnessing emergence and two divergent living standards which tend to become hereditary. There are two parallel, yet different societies which keep a distance from each other with the help of high walls, private police and dangerous dogs, as well as elite private schools. The extent of the welfare state is also methodically limited, the 19th century labour relations tend to dominate in the newly developed private sector (apart from privatized public enterprises).

² Lidia Beskid is the author of the cited fragment.

Those facts, phenomena, and processes should be seen as constitutive features of the system, which most likely will accompany us for many years to come. The system has a different institutional-organisational structure than the one to be found, for example, in Sweden or Austria. It is difficult to contest a thesis, according to which those features are stunningly inconsistent with the fundamental principles of the Constitution of Poland.

3. Validating the Chosen Path

In an attempt to understand and explain the motives which either drove or might have driven the supporters of the Polish neoliberal transformation and explain its specific path, one may find the following overview of the facts and circumstances helpful.

As the key decisions directing the path of the transformation were being taken in 1989, Reaganomics and Thatcherism in the Western World was still hugely popular.

At the verge of transformation Poland was stuck in trap of the foreign debt, which translated into the country's dependence on Western creditors.

Polish public opinion cherished a highly mythological view of the West, and expressed a naïve faith in another Marshall Plan. It was assumed that since the West (the United States, in particular), so generously helped 'Solidarity', it would also engage in supporting Poland in overcoming the effects of long-time Soviet dependency even more.

In the eyes of some political activists of the anti-communist opposition, the Round Table Agreements carried a stigma of a compromise made with the 'commies'. Let us remind the readers that signatories of the Agreement on the part of 'Solidarity' were often accused of a treason by radical faction of the opposition.

Impact of socio-psychological factors on the decisions leading to the shock therapy implementation should also be taken in account. Back in 1989, the Polish economy was seen through a lens of empty store shelves, but there was little understanding that that the single decision to free prices was just enough to fill the shops with variety of goods immediately and this is exactly what happened in January 1990, even though there was a 30% decrease in production output.

For several months it was not clear what would happen behind the eastern frontier of Poland. The Soviet Union finally collapsed in 1991, that is more than a year after the crucial strategic decisions regarding the national economy were taken.

In the meantime, searching for support of a new 'Big Brother' might have seemed a rational strategy. And this must have produced certain costs.

There was also an argument employed that the shock therapy would allow for a breakthrough into Europe (that will be further be discussed in the following part of the text).

4. Yet, There Were Alternative Options

And now it is time to summarize the counterarguments, challenging the view of the 'shock therapy' as an unavoidable action, which in the early 1990s directed the path of transformation for nearly two decades.

First, in 1989 Poland went to elections with a draft economic programme included in the Round Table Accords, which distinguished Poland from the rest of Soviet bloc. The opposition enjoyed the support of intellectuals.

Secondly, in 1989 and even in 1990 Poland enjoyed a very strong negotiating position with the international financial institutions. The government did not have to accept the draconian conditions of International Money Fund straight away. What is more, it did not have to follow the most radical of the three variants presented by the IMF experts (what was later disclosed by then head of the IMF team and later vice-president of IMF Michael Bruno, 1992).

Thirdly, a great social movement 'Solidarity' was extremely important for the international position of Poland back then, both as a real political milieu and as a powerful myth. The West did not know yet that during the time of the Martial Law and in the subsequent years 'Solidarity' was decimated and changed its character, what was vividly shown by Karol Modzelewski (1993).

Fourthly, in Poland besides 'Solidarity' there was a movement of employee self-government, arguably the strongest one in the whole Soviet bloc. It could provide both social and personal basis for reforms. 'Solidarity' and the employee self-government movement could have allowed for conducting reforms in a consensual rather than unilateral and imposed from above way.

Finally, there were two socio-economic systems alternative to the Anglo-Saxon model highly regarded by the Polish society at the time: the 'social market economy' (*Soziale Marktwirtschaft*) of the West Germany and the Swedish model. Moreover, there was a readymade expertise on possible ways of implementing the Swedish experiences in Poland (Konsultacyjna 1989). Even though a straightforward

implementation of the Swedish model in 1989 would be very difficult, if not unfeasible, from the purely political point of view, it would not, however, be entirely impossible to combine the 'Solidarity' movement with the renewed liberal thinking from across the Atlantic; a perfect synthesis of the 'argument of force' (the Solidarity movement) with the 'force of argument' (social liberals).

5. 'Bourgeois Class State'

On June 4th, 1989, right after triumphant elections Lech Wałęsa, the legendary 'Solidarity' leader said: 'to our dismay, we have won!'. Drawing an argument parallel to Oskar Lange's claim that proletarian revolutions that swept away the old empires at the end of the First World War paved the way for establishment of class bourgeois states (Lange, [1931] 1990: 93), one may say that the victory of 'Solidarity' in the summer of 1989 turned into a defeat, as a contemporary 'bourgeois class state' emerged as a result of the change driven by the workers' movement and began to promote the least working-class friendly version of capitalism in the whole Central Europe. And the defeat of labour in 1989 was even more devastating than the one experienced by the European working class in 1918, as the revolutions Lange discussed, while certainly ending with a political failure of the working-class, still produced a success in social terms, as they enabled introduction of the welfare state rudiments (e.g. eight hour long working day and other multiple workers' rights in Poland).

Nowadays, trade unions are kept away from the private sector (unionisation rate amounts just to a few percent) and also are quite effectively pushed away from a majority of foreign companies, which in their home countries would not dare limit the coalition right. This is accompanied by a passive approach of the government, and often of the trade unions' central authorities.

There are more even paradoxes of that 'tragicomic' situation. Violent changes of power, bloody revolutions in particular, often lead to unintended consequences. However, in Poland the change of power was non-violent and a result of an earlier compromise. Workers enjoyed support of intellectuals, which made the compromise easier to accomplish and should secure some degree of predictability for the future, and provide a choice between pre-defined alternatives. The Round Table Agreement seemed to be a good departure point.

In the second half of the 20th century many countries proved capable of an industrial modernization without the primary accumulation of capital, that is, in other words, without moving the incomes from the poor to the rich. Excellent examples of such modernization are the Scandinavian countries, Austria, and even Spain. The same case seems to concern all the 'Asian Tigers', apart from Indonesia. In none of those countries modernization led to absolute impoverishment of large social groups. Instead, an uneven but steady increase of incomes and improvement of living and working standards for all major social groups were observed.

The Neophyte faith in effectiveness of the primary accumulation of capital prevailing in a moderately developed country, like today's Poland seems like a paradox. The country is not moving from handcraft to mass industrial production, when one must steal the first million in order to build a factory. A relatively quick GDP growth in 1994–2000 proves that even a moderate modernization and a partial transfer of means of production into the private hands enhances the economy's efficiency. So it turned out that achieving a high GDP growth rate was an attainable objective following only modest expenditures put into modernization and a partial change of the ownership structure. By the way, it also shows how far from real was the conviction that Polish industrial assets were back then just a pile of junk.

6. To be the First in Class

Being an undisputed pioneer of the process that eventually produced the great historic change, Poland was believed to have a special role of being a leader in introducing reforms in the post-Soviet bloc. Even Jacek Kuroń³, admitting the first failures of the reforms, still maintained that Poland had a mission of setting the path for the rest of the our part of Europe: 'It's worth understanding that we, the Poles, for the last ten years have been setting the path for all the nations of the Central Europe. This is hard, not everyone of us may like it, but that's a fact' (Kuroń 1991: 114). Yet he believed that the future of this mission depended on a radical turn of Polish transformation into

³ Jacek Kuroń (1934–2004). Polish dissident, one of the democratic leaders of opposition, the intellectual leader of the Solidarity trade union movement in the 1980s. Crucial adviser to Lech Walesa during the Round Table agreements. Since the 1960s Kuron acted in the opposition to the communist ruling party. Actively participated in setting up the Workers' Defence Committee (KOR). After a democratic government was formed in 1989, he served twice as Ministry of Labour and Social Policy (1989–1990 and 1992–1993) [Editorial Note].

pro-social direction: 'The United States answered to the Great Crisis with the Great Deal ... which was a true example of social policy measure. It protected the weak and at the same time stimulated growth, production, incomes and profits. Now it's our turn' (Kuroń 1991: 114–115).

After a short time the Kuroń's views were ironically fulfilled. Polish transformation became an example for other countries of the post-Soviet bloc not in terms of promoting something resembling Roosevelt's New Deal, but rather in terms of limiting welfare and workers' rights. What is more, according to some, a mission of Polish authorities and Polish parliamentarians in the EU should be to strive for introduction of more market oriented mechanisms to European Union economies.

Szomburg's views (2002) are representative for such way of thinking, as he perceives Poland as a herald of the market reforms, leading to creation of a model resembling the US within the EU. The Institute on Market Economy Research led by Szomburg, together with the Office of the Committee for European Integration formed the basis of the Polish Lisbon Strategy Forum. The Forum published a White Paper every year, containing information and recommendations regarding the Lisbon programme. Their idea is to apply a 'new social model', resembling American one, in Poland, as well as to 'Americanize' the whole European Union. Very soon seemed to be forgotten admonishments addressed shortly before the appointment of Mazowiecki's government, warning against reckless imitation the American model (Jedlicki 1989).

Many similar declarations are voiced out by politicians and economists from the member countries. Representatives of Estonia and Poland are in the fore in this regard. Jan Szomburg (2002) sees Poland's mission as follows: 'From the beginning of our membership we should push for deregulation and liberalization, for breaking all visible and invisible barriers of free entrepreneurship, for limiting public help and against hoisting technical, social and environmental standards'. He interprets the Lisbon resolutions in the same manner.

As one may see, Polish role of the pioneer of the systemic changes bears far more ambitious content than the initial justification of high costs of being a leader. In 1990 Polish government freely chose the most radical variant of the three propositions presented by the IMF experts (to much astonishment of some). Furthermore, abolishing custom barriers went so far that Poland became one of the most *laissez-faire* countries in the World (as it was said, right after Hong Kong).

Not long ago Poland was the only country of Europe west of the Bug river, where agricultural production was not subsidized. This is one of the reasons why farmers' incomes are still almost 50% lower than 10 years ago. A counter-argument, that

KRUS (farmers' pension fund) is covered in over 90% by the state budget is not valid, because it concerns mostly pensioners, who even if are cultivating small farms treat this as a way of supplementing other means of living. However, the lack of subsidies for agricultural market producers was generating a drastic asymmetry in competition between Polish farm products and the heavily subsidized products from Western Europe.

It is a well known fact that in numerous Western European countries pension schemes are undergoing changes because of the aging society and slowdown of the economic growth. However, *pay-as-you-go* systems of public pensions are still dominating. Even if some countries have taken measures to make the individual involvement in pension schemes larger and to increase the capital component of the contributions, all of them are voluntary. Poland has introduced a reform involving very high, in Europe probably the highest capital element of pensions, depending on the situation on the financial markets, including the stock exchange⁴.

At the end of the last century Poland was one of the countries with the highest share of the private sector in the health care (Tymowska 1999). However, both the 1999 reform and other complementary measures taken by the authorities are still based on the idea that it is necessary to privatize the health care services quicker and deeper.

Last but not least, a flat rate on corporate income tax, promoted first by Leszek Balcerowicz, as a Minister of Finance, was eventually transformed into law by Leszek Miller, who headed the next government⁵. So, in Poland a flat rate income tax seems to be equally popular in neoliberal and center-leftist circles.

7. A Dangerous Umbrella

According to the survey research, Poles are predominantly egalitarian in their approach towards the income gap, and have consistently expressed an opinion that government actions should aim at reducing the income disparities within the

⁴ The pension reform was launched on January 1, 1999. Poland decided to introduce a new defined contribution multipillar system, consisting of a public Notional Defined Contribution, *pay-as-you-go* first pillar, a funded private second pillar, and voluntary funded third pillar [Editorial Note].

⁵ A Polish politician, leader of the centre-left political party Democratic Left Alliance (SLD), he served as the Prime Minister in 2001–2004 [TN].

society (CBOS 2003). Furthermore, in two consecutive surveys from 2001 and 2003 (Czapiński et al 2003) only 6 and 8% of respondents accepted the course of the reforms in Poland.

Thus, a question arises, what are the reasons of such a drastic difference between the actions of the government and the social aspirations? In order to understand such incongruity, it is advisable to recall the opinion of Jacek Kuroń, the most eminent member of the political establishment, who tried to resolve that puzzle and was not refraining from self-criticism. Yet even that politician, a legend of democratic opposition and the non-communist Left, deliberately chose to put his Leftist convictions aside for the sake of building the base of the capitalist economy. In 1994 wrote that the administration and the government had destroyed the social movement of the Solidarity, and provided the following explanation to the electoral failure of 'Solidarity' camp overwhelmed by the post-communist coalition: 'The reason of failure of Solidarity was the fact, that the government it created, instead of leading a mass reconstruction movement, worked above the society. The state-technocratic program that was realized pushed the majority into claim-inclined Left, the more radical the more it felt the costs of the fall of communism'. The main trade union by spreading out a protective umbrella over the government(s) and their policy cut off the branch on which it was sitting (Kuroń 1994).

Kuroń, to some extent, tried to correct those mistakes through the *State Enterprise in Reconstruction Pact* between the government and the trade unions, the first social pact to be concluded in post-1989 Poland. However, as he confessed, the Pact had two weaknesses 'it reached not far enough in terms of transferring the power to the People and was created too late. It should have been formulated at the very beginning of the 1990' (Kuroń 1997a: 90). The nature of the activities of the government and the corrupt nature of the Polish capitalism (more about this issue later) are the reasons of the conviction of the large part of the society that 'the reforms are not theirs but politicians ... that they serve only the interests of the *nomenklatura*' (Kuroń 1997a: 90). Unfortunately, however, it was too late, as the action was taken shortly before the collapse of the government of Hanna Suchocka, in which Kuroń held a post of a Minister of Labour and Social Policy.

To Kuroń the fact of not treating 'Solidarity' and workers' self-government as partners in the reforms seemed a serious mistake. The representatives of workers' self-governments 'were quite well prepared. They knew a lot about the enterprises and their surroundings and were capable to think in an economic way ... if they knew that the factory belongs to them ... they would act rationally ... the people involved

in self-governments could have become the elites of the transformation reforms' (Kuroń 1997a: 90–91).

However, Kuroń fails to explain how a great social movement of the 'Solidarity' (with some 10 million members at the end of 1980s), could accept a programme so threatening to the 'grave-diggers' of the old system. There were many reasons behind that active support, which later turned into a silent acceptance (Modzelewski 1993; Kowalik 1995). Three of them seem to be the most important. First, the mass *exodus* of 'Solidarity' activists, intellectuals, in particular, heading to join the state administration significantly weakened the movement. Second, when the Balcerowicz Plan was accepted by the Parliament and then put into action, a large part of the society seemed not to believe in the necessity of drastic (but short run) sacrifices for the better future. The plan was not discussed publicly nor negotiated with the trade unions, despite their demands. Before it became obvious that this better future is still far away, the trade union movement suffered great costs – loss of social trust because of the protective umbrella it held over the reformers.

Truly interesting is a fundamental difference between the government action of Vaclav Klaus and Tadeusz Mazowiecki. As the anti-communist opposition in Czechoslovakia was very weak, there was no social movement which could hold the protective umbrella over the government, thus Klaus was forced to actively seek social support. Although he used Margaret Thatcher and Milton Friedman-style rhetorics (and probably even believed in their sermons), he acted cautiously. The new Polish elites decided to follow the neoliberal path of radical turn to free market economy. Kuroń chose the role of anesthesiologist caring to soften the 'necessary' pain suffered by the society undergoing a drastic therapy⁶. On the other side, a radical liberal Vaclav Klaus followed the path of moderately social-democratic policies. In both cases rhetorics was subordinated to politics. Neoliberal rhetorics of Klaus legitimized his economic policy in the eyes of the West. Social-democratic rhetorics of Mazowiecki (and even of prime minister Suchocka) legitimized the neoliberal policy of Balcerowicz.

Social agreements reached through a negotiated compromise – as a way of development of a new social-economic order, were a tested path of social change already in 1980. If the *pacta sunt servanda* rule had been followed, if the agreements reached at the Round Table and with the voters, who were presented with an outline

⁶ 'If according to that metaphor Balcerowicz acts as a good surgeon, than I am an anesthesiologist. And as an anesthesiologist my only anesthetic was a good word' (Kuroń 1997a: 79).

of a program had been honoured, the new social and economic order introduced after 1989 would have looked absolutely different.

8. Managerial or Crony Capitalism?

In order to answer the question on the nature of Polish capitalism, one has to look also at the social dimension of power and ownership. While the first group is an object of the reforms, the other is a beneficiary and an actor of the systemic changes. The ratings of the hundred richest Poles, and some names like Jan Kulczyk and Ryszard Krauze symbolize great fortunes erected on the verge of public and private spheres thanks to the influence in 'power circles', are often called oligarchs and the very process of reciprocal mutual penetration of business and political power – oligarchization. Well known are also the multi-million salaries and severance payments to the directors of large enterprises, what combined with stagnation of wages results in social outrage.

Contrary to the governments promises (including the Balcerowicz Plan) to decrease state's presence in the economy and limiting state's size, public administration grew surprisingly quickly throughout the whole process of transformation. In 1990 it counted 159 thousand people, six years later already 290 thousand. The state administration grew even more quickly – twice (not counting territorial administration). The central administration grew the most quickly (over twice and half in size). To understand the character of the system that has developed it is important to notice the role of the group which the above mentioned sociologists call the transformation class, in the activities of public administration. That group profits, according to their opinion, from the transformation rent, which is an elegant euphemism for corruption and cronyism.

Corruption and cronyism in Poland during the transformation period were widely discussed. Jacek Kuroń recalls the beginnings of this self-enfranchisement of the apparatus of power at the end of the 1980s and ads 'but this was just a beginning of a giant transfer of wealth, taking place virtually in front of us. Prompted by the "get rich" idea, in the general chaos that followed, a wild privatisation would start. Probably it will never be possible to count how much money various state enterprises lost while their managers stroke deals with their *nomenklatura* friends' companies, loss-making for the state owned enterprises but very profitable for private ones ... the scams were obvious and the law was helpless' (Kuroń 1997b: 119).

The process was later called 'a red spider web'. Unlike many right wing politicians, who perceive it as a feature of only post-communist systems, Kuroń often pointed out that it was sustained throughout the whole period of the reforms. He reminded that as the first not-communist cabinet was being put together, the closest associates of the new Prime Minister searched out the names of their friends in their notebooks. He writes: 'this method persisted in the following months and years, when the banks, companies, voivodships, embassies and state media needed new cadres ... the Polish middle-class of the first post-communist period has not built its position via the market. For its greater part, for the big fortunes in particular, not the free market but the notebooks proved to be most important. Thus, if this group really defends something, it is not the free market but the notebooks – informal access, colligations, contingents and public tenders, limits, tariff barriers, monopolies, everything that enabled them to build their current position. This is a Polish tragedy' (Kuroń 1997b: 91–92). Kuroń had no doubt that it was 'a phenomenon of key importance for the development of Polish democracy and market economy' (Kuroń 1997b: 127). Shortly after the abovementioned passages appeared in print, a post-Solidarity coalition won the power with fighting corruption as one of their main electoral slogans. Only two years later a milder form of corruption, cronyism, became one of the central topics of the public debate (Celiński 1999).

According to three Californian sociologists capitalism in Central Europe is a 'capitalism without capitalists'; managerial, but not proprietor or political one. In short, the essence of the concept is following: 'the most characteristic feature of post-communist social structure in Central Europe is the lack of the capitalist class. The rights concerning private property exist, as well as the labour and capital markets; the economies are open to World market and have established relations with international finance institutions. However, there are no organized large capitalists ... The results of privatization in the most of the region are to a large extent scattered. This is a riddle that we try to solve. Who in the absence of capitalists holds the power?' (Eyal, Szeleny and Townsley 1997: 601).

According to Eyal, Szeleny and Townsley, unlike in the West, especially United States, where the economically dominating class (techno-structure) makes up a base for political elites, in Poland, Czech Republic and in Hungary ruling elites stem from divergent environments. The fall of communism allowed the technocratic managerial elite to seize control of the economy, yet they could not claim political power. The key positions in politics would be occupied by intellectuals with humanistic background, who quickly formed a narrow ruling group – a "polito-cracy" which only later came to agreement with the technocratic managerial elite (Eyal, Szeleny and Townsley: 67).

Probably the reason of perceiving the managers as the ‘dominating class’ was the authors’ conviction that the current and systemic economic policy was shaped by a small number of important decisions influenced by the dominating class. However, in the process of transformation, privatisation in particular, the process of economic policy-making was a lot more complex, and consisted hundreds of personal, credit, tax, customs decisions (including forfeiting execution of debts, credits, taxes, insurance payments, demolition of illegally erected buildings). Those decisions create complex, yet obscure bonds between the state apparatus (local government included) and big and small business.

Włodzimierz Wesółowski (1992) had described the initial interests of the power as ‘transgressive’, which in their essence translated to introducing the legal organisation and rules of a viable capitalist economy based on free competition, wealth coming from free enterprise, innovation, and ability to exercise rational economic calculation. With no capitalist class in place yet, the political power acted in the interest of an ‘imaginary’ middle class, whose responsibility was to form the basis of the liberal-democratic order. Leszek Balcerowicz very often elicits the features of such a system, which are corresponding with the *Washington Consensus* by the way and some foreign commentators take it as a factual description of Polish reality.

9. The Outcasts Cast the System Out

Poland and its high growth rate have negatively verified the *trickle down* theory. The economic growth does not benefit, or benefits to only small extent⁷ the large social groups making up the majority of the society. The economic growth benefits, what was called by Roy Harrod (1958) and later by Fred Hirsch (1977: 23), the oligarchic wealth, which they perceived as the fundament of an oligarchic democracy.

⁷ Such an opportunity was noticed by Branko Milanovic, an analyst of the World Bank (partly responsible for the course of the change). Inquired whether the further economic growth would cause a decrease or increase of income differences, he replied that it would depend on the nature of the future economic growth: ‘If the increase of incomes takes place first in the medium or high income group, the differences will grow and poverty will remain on the same level’ (Milanovic 1995: 51). Pointing out the third consecutive year of GNP growth, Milanovic stated that was exactly what was taking place in Poland. While GNP and personal incomes grew (10% and 7% respectively), ‘the poverty rate in 1994 remained virtually the same as in 1992, while the inequalities rose (Milanovic 1995: 51).

Up till now, as a result of the transformation, a system marked with social conflicts, probably less visible because of the transformation shock, and with the illusions brought by frequent parliamentary elections and ruling elite changes as well as with the myth of 'joining the prosperous Europe', was created. However, in the long run the decisive factor for the future of the system might be the lack of acceptance of the basic social groups, what may lead to permanent instability or even the necessity of its fundamental re-organisation.

Summing up, main features of contemporary Polish capitalism are high unemployment, large social group of impoverished, big and still growing differences in incomes and wages. On the other end of the social spectrum there is a diverse, in terms of character and wealth, group of owners of capital and administrators of power united by strong crony and openly corruptive bounds. The both ends of the spectrum are not a result of free market processes, but of conscious activity of broadly understood power and administration.

In the end a question 'What kind of civilization do Poles need?' used in the title of Jerzy Jedlicki's book (1988) seems very much appropriate. The question addressed prior to launching the transformation prompts one to wonder how and why the new social order, a result of more than two decades of transformation differs from a desirable order. In the light of arguments listed above, the differences are enormous, so in an attempt to answer the Jedlicki's question, one may answer that Poles need a different civilization from the current one, a civilization of inequality.

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