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WHAT WAS THE DIRECTION OF THE REFORM OF THE PRL (POLISH PEOPLE'S REPUBLIC) ECONOMY IN THE EIGHTIES?

Abstract: In the 1980s, the communist authorities of Poland, forced by the dire economic and social situation, undertook a number of attempts to reform the centrally managed economy. By deciding on limited liberalization, they simultaneously secured the economic foundations of the government, which was dominated by the public sector. The Polish version of perestroika was, thus, implemented in order to balance the economy. However, like the Soviet model, it was a tactical move, essentially to consolidate the centrally managed economy. The economic hybrid that emerged from the partial reforms, contrary to the intentions of its creators, did not weaken, but rather strengthened deep crisis phenomena. Their inhibition became the main goal of the democratic government formed in 1989 and the radical economic reforms associated with the name of Leszek Balcerowicz. The departure from the reforms of the centrally managed economy and the undertaking of consistent market transformation resulted in measurable economic successes. They were particularly visible against the background of the economy of Belarus, Russia and Ukraine, whose authorities had abandoned comprehensive and consistent market reforms.

Keywords: Poland 1980-2003, centrally managed economy, economic reforms, systemic transformation

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INTRODUCTION

Referring to the often-divergent opinions on the economic reforms undertaken by the communist authorities at the beginning of the 1980s, it is worth asking the question: what would the shape and condition of the Polish economy be if created by them? Defenders of the reforms claim that, with lower social costs, they would lead to a revival of growth, increased efficiency of the economy and the improvement of the living standard of the population. At the same time, they try to disavow the historical changes initiated by Tadeusz Mazowiecki's government, especially the deep political and stabilization reforms associated with the name of Leszek Balcerowicz, emphasizing their severe social costs. At the same time, the opponents are diminishing the fact that quite quickly, as a result of the "shock therapy," they are entering a path of economic growth and reducing the backwardness of Polish civilization. The disputes have led to an attempt to reconstruct the shape of the economy that the actions of the communist authorities in the last decade were aimed at, in principle, maintaining the government and the centrally directed economy subordinated to it. The analysis can be made thanks to the numerous program documents created in the 1980s, but also the experience of the countries on the eastern border that did not decide to make radical political changes.

1. FORCED REFORM MEASURES IN THE 1980S OF THE 20TH CENTURY

The intensified work on changes in the planned economy was a consequence of an avalanche of imbalances, especially in the consumer goods market, large foreign debt and the strength of social protest in the summer of 1980. Another wave of strikes forced those in power to enter into talks with the workers' representatives and sign negotiated agreements. Among the 21 demands of the Gdansk Agreement of August 30, 1980, the need to take real action to get the country out of the crisis situation by preparing a socially discussed economic reform was ranked on the 6th position [Kaliński J. 2012: 25].

Work on the reform was dominated by the Commission for Economic Reform established in September 1980 by the Political Office of the Central Committee of the Polish United Workers' Party (KC PZPR) and the government. The Commission was joined by numerous expert groups, including representatives of the NSZZ "Solidarność" (Solidarity Trade Union). Excessive influence of the PZPR apparatus resulted in a rather quick withdrawal of the representatives of the Union from the Commission's work, as they undertook independent work on the concept of economic reform. The activity of the Commission for Economic Reform, in which Władysław Baka played a leading role, resulted in a document entitled *Kierunki reformy* *gospodarczej (The directions of economic reform)* in July 1981 *[Kierunki reformy…* 1981: 128]. The document, approved by the 9th Extraordinary Congress of the Polish United Workers' Party (PZPR), unequivocally defined the limits of change, stating that: "The reform must be consistent with the basic assumptions of the socialist socio-economic system" [*IX Nadzwyczajny Zjazd…* 1981: 124]. It should, therefore, be strongly emphasized that the reforms were understood by the authorities as actions within the political system created by the communist party, where the economy based on state property was under the direct control of the party and its bureaucratic apparatus. The proposed reforms could not undermine the basic canons of the political system and their task was to strengthen the inefficient economic system through superficial efficiency changes.

With the introduction of martial law by General Wojciech Jaruzelski it was declared that the reforms would continue, however, the social and political atmosphere and progressive militarization of the economy delayed and weakened the radicalism of changes. The lifting of the martial law was also accompanied by pressure from some state activists who were against liberalization [Baka W. 1999: 60]. The opponents of radical economic reform were strengthened by the appointment of Prime Minister Zbigniew Messner in 1985, as the chairman of the Commission for Economic Reform. In the fall of 1986, the new government prepared a package of laws that were clearly anti-reformist in nature, but which were negatively received by experts and a large part of the party apparatus [Baka W. 1999: 63].

The changes that took place in the USSR after Mikhail Gorbachev took power under the slogan of *perestroika* had a significant impact on the continuation of reforms [Hobsbawm E. 1999: 439]. They strengthened the forces that supported changes in the economy aimed at improving its functioning and stopping the deterioration of the population's living conditions. Soon, the reform efforts took the form of the so-called second stage of economic reform [*Tezy w sprawie*…1987]. The willingness to eliminate barriers, which limit the development of various forms of entrepreneurship and to increase the role of the market mechanism in the economy was announced.

In *the Programme for the implementation of the second stage of economic reform*, adopted at the beginning of 1988 by the Sejm, which mostly repeated the theses adopted in 1981, the issue of supporting private entrepreneurship was developed and agreed to limit the opening of the Polish economy to foreign capital [*Program realizacyjny*… 1988: I-II]. A radical reform of the central economic administration was envisaged, giving it strategic management functions and depriving it of its command and control component. The beginning of the second stage of the economic reform was associated with an attempt to balance the market through high price increases. This triggered a wave of strikes, which indirectly contributed to a further deterioration of the country's economic situation, but also triggered the authorities' determination to continue the changes [Dudek A. 2004: 124; Paprotny Ł. 2007: 359-60].

Mieczysław F. Rakowski, who was widely regarded as a party liberal, was appointed Prime Minister in September and was to reform the failing centrally managed economy. Rakowski entrusted the leadership of the key Ministry of Industry to Mieczysław Wilczek, a technocrat and entrepreneur. During the eight months of their reign, Rakowski and Wilczek tried to implement and develop the proposals for the second stage of the reform, and thus to establish a mixed system in the Polish economy. In 1991, Rakowski explained: "My government's program did not – which is understandable – include a return to capitalism. Both then and now, I believe that Poland should follow an intermediate path, that is, take the best of the doctrine of the capitalist market economy as well as those of socialist thought" [Rakowski M.F. 1991: 137]. This meant leaving the basic sectors of the economy under the supervision of the communist state authorities and subjecting certain elements of economic life to market mechanisms.

The basis of Rakowski's economic program was *the Plan of Consolidation of the National Economy*, approved by the Central Committee of the Polish United Workers' Party (KC PZPR) and adopted by the Sejm at the turn of 1988-1989 in the form of a package of economic Acts [*Plan Konsolidacji…* 1988: 43]. It contained new regulations in the sphere of central management of the economy, taxation, functioning and finances of state enterprises, banking as well as the foreign exchange system. The implementation of *the Consolidation Plan* was inaugurated at the end of 1988, when the Sejm passed two laws on economic activity [see Kaliński J. 2019a].

The last document of the communist authorities announcing further reform of the economy, the *Assumptions of the economic program for 1989-1992*, was adopted by the Council of Ministers on 30 June 1989, i.e. after the lost parliamentary elections. They were developed at the Ministry of Finance, with the participation of advisors from the World Bank and the International Monetary Fund, as a basis for the adjustment program necessary for Poland to obtain foreign aid [*Założenia programu…* 1989: 1-2]. Some later assessments of the *Assumptions* were treated as heralds of the liquidation of the centrally managed economy in Poland.

2. CHANGES IN THE CENTRALLY MANAGED ECONOMY

Based on the work of the Commission for Economic Reform in September 1981, the Sejm passed the Act on State Enterprises and the Act on the Self-Government of State-Owned Enterprises [Dz.U. 1981 nr 24 poz. 122]. The Act on State Enterprises clearly stated that they were the basic organizational units of the national economy. It, thus, maintained the existing marginalization of the private sector outside agriculture and its dependence on state-owned industrial and commercial giants for supply and sales. The Act on self-government of the workforce introduced the possibility of its participation in making the most important decisions concerning the enterprise and exercising control over it. The novelty of both acts was the strong emphasis on the principles of autonomy, self-government and self-financing of enterprises, which was reflected in the popular name – the 3S reform. However, a number of other provisions limited these powers, for example, by excluding a big group of large enterprises "of fundamental importance to the national economy" from the reform process.

The Sejm of the People's Republic of Poland passed subsequent laws that had their origin in the Commission's work for Economic Reform soon after the martial law was imposed. The Act on Social and Economic Planning maintained the system of social and economic plans, which remained the basic instrument of economic management by the state authorities. The intention was not to use market principles and laws, but only to use market economy tools in central planning. The relevant law introduced three types of prices: official, regulated and contractual, but the vast majority of them were set administratively. Full state control over the banking system was maintained. The National Bank of Poland continued to act, not only as an issuing bank, but also as a central credit, clearing and foreign exchange institution. The only thing left to do was to limit the ownership forms of banking to the state-owned, state-cooperative, cooperative[1] and joint stock companies with a dominant state share. Foreign trade remained the domain of the state. The activity in this area could be conducted mainly by export and import enterprises established by the Minister of Foreign Trade [more in: Dwilewicz Ł. et al. 2008].

[1] It is worth mentioning that in the People's Republic of Poland, the statist cooperative movement was a component of the so-called socialized economy.

In the second stage of the economic reform, the number of enterprises "of fundamental importance for the national economy" was halved, thus expanding the group of companies covered by the 3S reform. The monistic position of the National Bank of Poland (NBP) was weakened by separating the General Savings Bank (Powszechna Kasa Oszczędności) from it, and then nine state credit banks based on NBP regional branches. In early 1989, the Planning Commission of the Council of Ministers was abolished and the Central Planning Office was established. Although deprived of the power to manage the economy on a day-to-day basis, it was a sign of maintaining a centralized system for making key economic decisions [Kaliński J. 2009: 26].

Of particular importance were the aforementioned laws of December 23, 1988, which aimed at increasing entrepreneurship and boosting it with foreign capital. The Act on Business Activity equalizes the rights of state, cooperative and private entities, both in legal terms and in access to credit and rationed goods. It introduced far-reaching freedom in the scope of forms and types of conducted activity, which found a significant expression in the formulation of its Article 4: "Business entities may, within the framework of their business activity, carry out activities and operations which are not prohibited by law". The act abolished the restrictions (up to 50 people) on the number of workers employed in a private enterprise. Business entities could associate on a voluntary basis, and regardless of the type of ownership, were subject to uniform tax regulations. Only a few areas of activity (i.e. eleven of them – mineral extraction, arms trade, production of spirit) were still subject to licensing, and the vast majority of them required only registration with the local state administrative authorities. The law broadened the path to independent business activity, based on the entrepreneur's own risk [Dz.U. 1988 nr 41 poz. 324].

The second fundamental Act – on business activity with the participation of foreign entities – created very favourable conditions for foreign capital. It abolished the upper limit of foreign capital participation in the company, introduced freedom of transfer of foreign exchange profit, enabled income tax exemption for three years and gave freedom to hire and pay employees [Dz.U. 1988 nr 41 poz. 325].

The above laws are often cited as evidence of the communist authorities' undertaking of economic liberalization measures and even marking the "end of the real socialist economy" in Poland [Bałtowski M., Miszewski M. 2006: 141; Grala D.T. 2005: 324-5]. At times, their radicalism is opposed to supposedly too slow economic liberalization after 1989. While praising the merits of the Rakowski's government, and especially Minister Wilczek's, the fundamental limitations of its reforms, which Ireneusz Sekuła, Deputy Prime Minister in charge of the economy, spoke about unequivocally in the Sejm during the presentation of the December law: "For the private sector does not and will not decide on the level of the Polish economy. Of course, we want to give it a chance for increased competition, better and more flexible satisfaction of diverse and dispersed needs. The private sector should dominate in those areas where state ownership has little chance of success, for example in some services" [Sekuła I. 1989: 4]. An analogous position was represented by the PZPR Central Committee during the preparations for the Round Table talks: "The boundary is to maintain the decisive social advantage of ownership of the means of production in its various forms (state, municipal, cooperative, collective), which determines the basic socialist values of the political system ..." [*Memoriał*... 2002: 152].

It is not difficult to notice that the communist authorities, forced by the economic and social situation to take liberalization steps, decisively secured the foundations of the existing system and placed private property on the margins of the invariably dominant state sector as the basis for their rule. Their position expressed a desire to implement the Polish version of perestroika in order to balance the economy, but, like the Soviet model, it was a tactical move, essentially aimed at consolidating a centrally managed economy [Kaliński J. 2015].

A further step in the implementation of *the Plan for the consolidation of the national economy* was the adoption of further economic laws by the Parliament in January and February 1989. In the financial sphere, the state and private sectors were equated in terms of the income tax, and the domestic people were allowed to buy and sell foreign exchange values, which resulted in the opening of private exchange offices. The foreign exchange turnover of economic entities was also liberalised, however, the system of obtaining permits for foreign currency transfer and the obligation to sell the acquired foreign currencies to the state were maintained. The zloty remained a currency that was not exchangeable in economic transactions. The amended Banking Law and the NBP introduced a two-tier banking system, common in the market economy. According to its regulations, the NBP became the central bank and a bank of the banks without direct credit and investment activity [Kaliński J. 2019a: 434].

The Law on Certain Conditions of Consolidation of the National Economy passed on February 24, 1989 allowing the director of a state-owned enterprise and the Workers' Council, "in economically justified cases" with the consent of the general meeting of the staff of the self-government to apply to the founding body for the transformation of the enterprise into a company, or simply with an application for its liquidation to hand over components of the state property to a natural or legal person [Dz.U. 1989 nr 10 poz. 57]. These regulations enabled people connected with the apparatus of power to drain state property and were the basis for the creation of so-called nomenclature companies, enfranchising state and party officials. By the middle of 1989, the number of nomenclature companies exceeded 2 thousand [Dudek A. 2004: 188; Sikora M. 2012]. As Jadwiga Staniszkis wrote, the companies not only made it possible to "exchange power for ownership," but also initiated the primary accumulation necessary for the new system [Staniszkis J. 1990: 127; 2001: 197-8]. Tadeusz Kowalik, an eminent expert on Polish transformation, represented a definitely negative stance towards the nomenclature companies, pointing to the corruption-generating blurring of the difference between the private and public sphere [Kowalik T. 1991: 259-60].

The issues of progressive changes in the economy were an important element of the Round Table's socio-economic discussions. They focused on the difficult living conditions of the population and the threats that market reforms could bring. Systemic issues were included in Part V of the *Position on Social and Economic Policy and System Reforms*, adopted at the end of the meeting [in Baka W. 1999: 226-47]. This part, entitled *The New Economic Order*, announced: the development of self-government and employee participation, the free formation of ownership structure, the development of market relations and competition, the elimination of the remnants of the command and control system and the limitation of central planning. As Kowalik claimed, the Round Table's economic concepts "...were more or less consciously moving towards some kind of hybrid, a mixed economy" [Kowalik T. 2009: 49]. Jan Mujżel described the system created since 1982 in a similar way, writing that: "Many statist command-and-distribution and authoritarian mechanisms were dismantled, however, without invoking the pro-efficiency market forces assumed in the reform or resulting from its logic…" [Mujżel J. 1991: 310].

At the end of its term of office, as mentioned above, Rakowski's government adopted the *Assumptions of the economic program* for the years 1990-1992. It announced the transformation of state enterprises into State Treasury joint-stock companies, with the possibility of selling their shares to business entities and individuals. A stock exchange was to be established for this purpose. At the same time, a number of restrictions were maintained that made it impossible to privatize large state-owned enterprises on the capital market. However, it was declared that "...small and currently unprofitable production and service facilities could be sold or leased to private individuals, including primarily small commercial facilities, pharmacies, catering establishments, small hotels and tourist facilities, service establishments, and small production plants" [*Założenia programu...* 1989: 1]. It was intended to separate the municipal property, which was the basis of the reborn local government, from part of the state property.

The Assumptions included the announcement of the imminent abolition of official prices for food and agricultural inputs, as well as official tariffs for passenger car transport. It was announced that PIT and VAT taxes would be introduced and that the property tax, which was at that time different in both the public and private sectors, would be unified and that the zloty would be internally convertible. *The Assumptions* did not announce any major privatization of the industry, except for small companies struggling with economic difficulties.

3. COMPONENTS OF A HYBRID ECONOMIC SYSTEM

In spite of the reforms that were accelerated since the end of 1988, the basic feature of the economy of the People's Republic of Poland, the so-called socialized sector, including state ownership and privatized cooperatives, remained dominant. In 1989, it generated 82% of the national income, employing nearly 12 million people. More than 95% of industrial production came from the national sector, which was also characterized by far-reaching monopolization. Its scale was evidenced by the fact that 28 industrial enterprises had a share in production ranging from 60 to 100% of national output. The structure of economic entities in the industry, in terms of size, definitely distanced Poland from the standards in capitalist countries. While small and medium-sized companies played a huge role in the market economy, at the end of the People's Republic of Poland, enterprises employing more than 1000 employees dominated in industry. In the group of small and medium-sized enterprises employing up to 500 workers there were 19% of companies, while in Germany, for example, up to 60% [Kaliński J. 1995: 243; *Rocznik Statystyczny...* 1990: 93, 115, 260].

For the real marketization of the economy, rather than propaganda, radical ownership changes were necessary, mainly, related to the privatization of socialist "mammoths". Such actions were not announced by documents and adopted legal Acts of the above-mentioned program. On the other hand, the new regulations regulating the principles of economic activity, combined with the declarations of the Rakowski government, led to a clear increase in the activity of the non-agricultural private sector, however, only in the area of small business. The authorities hoped to alleviate supply problems that caused deep imbalances in the consumer goods market.

In 1989, the number of business entities of natural persons (without individual farms) reached 814 thousand and at the end of the year, it exceeded the December 1988 level by 42%. The number of commercial law companies, i.e. larger companies, reached 17 thousand in 1989. Since 1982, a strong increase in the number of entities with foreign capital was observed. Initially known as the so-called Polish companies, but by the second half of that decade had become joint ventures and joint stock companies. By the end of the decade of the eighties about 800 companies with foreign capital had been established. The number of employees in private companies rose from 622 000 in 1980 to 1,780 000 in 1989. As a result, the share of employees in the private sector outside agriculture, in relation to total employment, increased from 3.5 to 10.1% during the decade in question. Systemic changes were marked mainly in domestic trade, however, the share of private outlets in total retail sales was just below 5% in 1989. The private sector played a largely marginal role in industry, foreign trade and transport [Kaliński J. 2019b: 44-5].

In an extremely statist economy, decision-making functions still belonged to multi-level economic planning institutions and a system of central allocation of production factors and investment as well as consumer goods. This was accompanied by a state monopoly of foreign trade, a foreign exchange monopoly, and unchangeable money. It was only in the last weeks of communist rule that the process of reducing the bureaucratic price-setting system was initiated, which was reflected in the "liberalization" of food prices on August 1, 1989. However, this right move, which was not prepared on the supply side, became an important source of rapidly rising inflation [Bauc J. et al. 1994].

Although the banking reform shaped its two-tier structure, similar to Western patterns, neither the central bank performed all its functions nor did the new credit banks meet the requirements of commercial banks. The economic instruments functioning in the sphere of economic management referred, by name only, to those in the market economy. Interest rates, currency rates, and wage rates in the expanded state sector were set administratively in isolation from economic conditions. Their realization required the creation of capital and labour markets that would have to be based on extensive privatization.

In the selectively developing non-agricultural private sector, the basic economic parameters were shaped by a limited and deformed market. Rapidly rising prices and exchange rates strongly revealed the problems of a "deficiency economy", an inherent feature of the economic system imposed by the communist authorities.

To sum up, in 1989, institutions and instruments from different economic systems co-existed, with a definite predominance of those typical of the so-called socialist economy. As Mieczysław Nasiłowski wrote: "The system reform that took place in Poland between 1982-1989 was a partial solution. Although it destroyed the basic structures of statist socialism, it did not lead to their complete elimination" [Nasiłowski M. 1991: 326]. The above quoted opinions of Kowalik and Mujżel seem adequate for the characteristics of the shape of the economy to which the reforms of the communist authorities in the eighties led. The economic hybrid that emerged from the partial reforms, contrary to the intentions of its creators did not weaken, but strengthened the deep crisis phenomena. The situation is reflected, particularly, in the hyperinflation that resulted in the autumn of 1989, with continuing deep commodity shortages [Kaliński J. 2009: 51].

The dramatic economic situation required decisive pro-market measures, which, however, collided with the communists' efforts to preserve the extensive state property that was the economic foundation of their power. This was evidenced, among other things, by the failure to take up the issue of the binding constitutional provision in the reform proposals, which in article 1; p.1 unequivocally stated that "The basis of the social and economic system of the People's Republic of Poland was a socialist economic system based on socialized means of production and socialist production relations" [Dz.U. 1976 nr 7 poz. 36].

Until the end of the PZPR, the highest bodies of the Polish United Workers' Party (PZPR) agreed to only privatize less important economic entities or liquidate state industrial enterprises on the verge of bankruptcy. At the same time, they placed high hopes in the "ennoblement" of state-owned enterprises, for which the limit of change was their commercialization. For political reasons, the authorities encouraged the establishment of these "nomenclature companies" that were taking over state assets in an uncontrolled manner [Bałtowski M. 2009: 277].

The nature of the changes in the economy at the turn of 1988 and 1989 proved that the continued existence of the communist authorities in Poland would mean the continuation of hybrid transformations, characteristic of countries that rejected radical market reforms and limited themselves to the "lifting" of a centrally directed economy. The effects of slow changes, setting limits as well as omissions in economic reforms are clearly illustrated by the experience of our eastern neighbours Russia, Belarus and Ukraine.

4. POLAND IN COMPARISON WITH ITS EASTERN NEIGHBORS

In the Soviet Union, under the influence of Gorbachev's perestroika, the economy ceased to be a planned one, but did not become a market economy. Superficial systemic changes created conditions for the enfranchisement of a large group of party directors and officers, who in time emerged as the oligarchs of the Russian economy. Gorbachev's reforms evoked an entrepreneurial spirit with pathological features, which grew in conditions of parallel functioning of official prices in the expanded state sector and free in the private sector [Åslund A. 2010: 69-70]. The rejection of decisive market reforms hampered Russia's modern economic growth and was a premise for the deep crisis of its economy in 1998 and the perturbations in the years that followed.

The general opinion is that Belarus did undergo free market transformation. Although the government pursued a policy of very slow liberalization and privatization between 1990 and 1994, it however was unable to halt the deepening economic imbalances, hyperinflation and the black market. As a result, Belarusians associated the market economy with a bad economic situation and complete chaos. This made it easier for Alexander Lukashenko, who stopped market reforms and strengthened state control over the economy, to seize power [Alachnovič A. 2011].

It was not until 1994-1995 that reforms were undertaken in Ukraine, including price and foreign exchange liberalization as well as improvement of the tax system. A program of mass privatization, which was not quite effective, was also launched and this led to the emergence of a strong group of oligarchs. With great influence on the authorities and guided by their own interests, these oligarchs hampered the necessary market reforms. Under the influence of the crisis in 1999, reforms were somewhat accelerated, but soon, given the conditions of a temporary economic recovery, they were halted again [Mataczyński T. 2014].

The dynamics of structural and institutional changes in Belarus, Poland, Russia and Ukraine are well characterized by transformation indicators developed by the European Bank for Reconstruction and Development (EBRD). They are a proof of Poland's general advantage in conducting small privatization, enterprise and banking reforms as well as price and trade liberalization. Only in the case of large privatization was it matched by Russia, thanks to pathological oligarchization of the economy.

Table 1. Selected indicators of systemic changes in Belarus, Poland, Russia and in Ukraine during the transformation period until 2003

EBRD indices*	Belarus	Poland	Russia	Ukraine
small scale privatization	2.3	4.3	4.0	4.0
large scale privatization	1.0	3.3	3.3	3.0
governance and enterprise restructuring	1.0	3.3	2.3	2.0
banking reform	1.7	3.3	2.0	2.3
price liberalisation	2.7	4.3	4.0	4.0
trade liberalisation	2.3	4.3	3.3	3.3

* EBRD indices are in points from 1 to 4 +

Source: *EBRD structural and institutional change indicators* [2019].

The Russian, as well as Belarusian and Ukrainian experiences make it possible to indicate where the Polish economy, without radical political and economic activities in the summer and autumn of 1989, would have been at the beginning of the 21st century. The strong course of the market economy and the "shock therapy" adopted in Poland led to economic growth in 1992, and by 1995 the GDP level of 1989 was already exceeded. In the same year, the correspondingly calculated GDP level reached 63% in Belarus, 60% in Russia and 44% in Ukraine. A year before Poland joined the European Union, our GDP was >40% higher than in 1989. By that time, Belarus managed to catch up with Poland's 1989 level, while in Russia the GDP was still 13% lower and in Ukraine as much as 50% lower [Rapacki R., Próchniak M. 2006: 7].

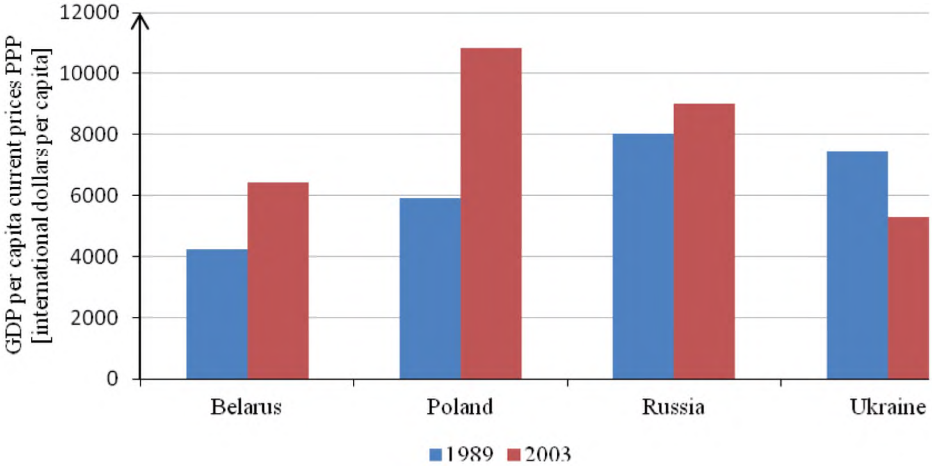

Figure 1. Comparison of GDP per capita in Belarus, Poland, Russia and Ukraine from 1989 to 2003 (in international dollars according to purchasing power parity)
Source: *IMF, GDP per capita…* [2020].

The high dynamics of the Polish economy led to a spectacular increase in GDP calculated according to purchasing power parity per capita, which in 2003 reached 10 854 dollars. Meanwhile, in Russia, it was 9001 dollars, in Belarus 6432 dollars and in Ukraine 5312 dollars. It is noteworthy that compared to 1989, Poland recorded an 84% increase in GDP per capita, Belarus 51%, Russia 12%, whereas Ukraine, on the other hand, recorded a 29% decrease. In this group of countries, Poland advanced to the first place from its initial third place in 1989, when it was barely ahead of Belarus (see Figure 1).

SUMMARY

These data clearly show the breakthrough significance of the radical political transformation undertaken in Poland in 1989. It helped to limit the duration of the post-socialist crisis and ensured a quick transition to economic growth. This was the result of a break with the communists' policy – a policy of partial reform and maintenance of a centrally managed economy. Thanks to these democratic political changes, the creation of a political hybrid was abandoned and a market economy was built, which resulted in measurable economic successes. They were particularly visible against the background of the economy of the eastern neighbours, whose authorities had abandoned comprehensive and consistent market reforms.

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