

**CEH 6 AMBASSADOR RURARZ SPEAKS**

When Poland's "shock therapy" was launched on Jan. 1, 1990, the market oriented reform, initiated by the communists, was already in course though its scope and purpose was then not too clear. Now, four and half years after "shock therapy" was applied, it is still by no means certain whether the reform is a success or a failure. It is true that Poland's economy seems recently to be bottoming out of a severe recession but it is not at all certain whether this upward trend is lasting. Not to mention that there **may be doubts** as to this happening at all, since the country's statistics are far from reliable. The growth rate is rather moderate and, even if all the prognoses are correct, the economy may attain the 1988 level no sooner than in the next four to five years. Considering that the 1988 GNP level was somewhat lower than that in 1978, one can safely say that some 20 years of the country's development were lost - a dubious record.

Furthermore, even the moderate growth rate does nothing to reduce **unemployment**, which is still growing. At the same time, it gives rise to inflationary pressure and creates trade problems capable at one point of bringing growth to a halt. In this connection, a few comments should be made. The so called shock therapy, which was originally to yield positive results in less than six months, was to accomplish two tasks. The first was to break hyperinflation. The second was to kick off the systemic transformations, meaning replacing the centrally planned and managed economy with a free market one. Hyperinflation was indeed suppressed, although inflation continued to be a worrisome phenomenon threatening a forceful return. When it comes to the systemic transformations, the reform is somewhere in midway, if not at a crossroads. What thus went wrong with it? Or perhaps nothing went wrong and the positive results were only somewhat delayed and are becoming evident just now?

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Unfortunately, the whole issue is by far more complex and should be addressed not "ideologically" but in concrete terms, the economy being under the obligation to accomplish certain specific tasks in a way visible and understandable to all. To its detriment, Poland's reform of 1990 became too "ideologized" and hence its rather dismal performance. More specifically, free of its previous unique ideology bonds, Poland embraced yet another one. In both cases hardly any attention was given to the concrete problems facing the country or to the most effective ways of solving them. Abandoning socialism and sailing towards capitalism has been per se the right solution, **but the question is whether anyone bothered about Poland's past experience with capitalism or about the kind of capitalism it was striving for.**

Poland's past experience with capitalism was far from cheerful. Because of its loss of independence in the late 18th century, and a state lasting only until November 1918, the country had no say in economic and other matters. The lands under the Prussian/German occupation fared rather well, but were still the "hinterland" of the Reich. The situation under the Russian occupation was by far more complex, although the lands had an impressive, though very unevenly distributed growth, oriented mostly toward the vast Russian market. The lands under the Austrian occupation fared rather badly. Then came WWI and heavy destruction of Polish lands. That destruction was later even still greater as a result of Poland's wars and uprisings that dragged until 1921. Poland's post-WWI capitalism was thus in poor shape. The country's limited sources had to be directed toward the reconstruction and unification of the liberated lands. Moreover, and due to Poland's geopolitical situation, the country had to build a defense industry, sustain a relatively big army and **build a harbor on the Baltic coast**. At the same time, Poland transferred more capital abroad than it received and the Polish economy, where exports of food, fuels and raw materials dominated, suffered from the devastating effects of the Great Depression (translated into disadvantageous terms, of trade). Small wonder that the economy actually contracted.

Thus, Poland's pre-WWI and pre-WWII experience with capitalism was by no means heartening. Then came WWII leading to still heavier destruction, a change in borders, and **Soviet imposed socialism**. The country, at first neither capitalist nor socialist, although already firmly in the Soviet grip, coped rather successfully with the reconstruction and unification of the economy. Then, after 1949 everything went awry. The "socialization" of the economy was vigorously suppressed, the economic ties with the West severely weakened, while the progress of the Cold War threw the country into a frenzy of armament. True, the country's rate of growth was sharply increased but wrong and highly inefficient industries were expanded and built in wrong places.

In other words, if Poland's experience with capitalism was not cheerful, its experience with socialism was by no means better. And although the situation after 1956 changed for the better it was still not socialism nor capitalism restored. Faced with ever more changes, Poland reached out for foreign credits in the 70's, naively thriving that this would make the economy more efficient. As a result the country became dangerously indebted, while the falling growth and living standard led to the already known events of the 1970s. Following these events, especially the 1981 "state of war," the country's economy found itself in a still poorer shape because of **western economic sanctions**. Yet, although no one questioned the necessity of systemic reforms after the communists abandoned their monopoly of power in 1989, it is still debatable what specific cures should have been applied to help the ailing economy. **Trying to turn it into 19th-century-style capitalism, especially by means of "shock therapy," was sheer adventurism**. But what should be done now, when popular support for reform is weak?

To answer this question a few priorities for the economy that must be met have to be listed. The ways to achieve them are of secondary importance. If a free market can accomplish the task, then it should be given a chance. But if not, as is now evident, some other solutions must be tried. At least three priorities must be specifically mentioned, although their list is by far longer.

Firstly, Poland must eliminate, or at least sharply reduce, its unemployment, which embraces almost one-fifth of its work force. Unemployment has become the Number One Problem. Besides, Poland's only resource capable of advancing the country to a higher stage is labor (which cannot be idle). Secondly, Poland must sharply improve its export capability. Changing this situation, for reasons other than national pride, is vitally important for the country's further advancement and cannot be argued about. Thirdly, Poland must do everything possible to adapt its economy to the harsh rigors of the European Union for whose full membership it applied. The gap between Poland and the Union's members is far too wide. The failure to narrow it may actually make Poland's EU membership impossible. In other words, one has to know precisely what one wants to achieve and only then should ways to achieve the goal be sought. No "invisible hand" will do the job, as Poland's recent experience has shown. What's the meaning of all this?

Quite frankly, Poland's reform needs to be reoriented not yet for another ideological reason, but in response to concretely formulated goals set for it. Such goals cannot be left unattended. As a Polish proverb says, good luck must be helped. ■



"The good news is you'll stay here. The bad news is your luggage has gone to hell."