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POLISH ENTERPRISES IN TRANSITION BETWEEN STATE INTERVENTION, FOREIGN DIRECT INVESTMENTS AND DOMESTIC CAPITAL

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Introduction: Economic system in transformation between post-fordism and post-socialism

The transformation of the economic system occurred in Europe in the last part of the twentieth-century, correspond to a new techno-economic paradigm, i.e. *accumulation regime*, exemplified by the adjective *post-Fordist.* This transformation, inaugurated by the restructuring that followed the oil crisis (*crisis of Fordisim* and *structural re-adjustment*) is commonly associated with the so-called *globalization*, i.e. a process in which the traditional system of goods' exchange became progressively more and more integrated in a world system of production, rich of new strong geographical selectivity, but able to create a global *optimal geographical dimension* of the organization of markets and enterprises.

The changes occurring in post-socialist countries after 1989 has been often assumed to result almost entirely from the shift from the centrally planned economy system supported by a mono-party regime to a market economy introduced in a democratic political system, attributing an evident post-socialist flavour to the process itself. However, following Gorzelak (1995), it is also possible to substantiate the thesis that the decline of traditional industries which began to happen in Central Eastern European Countries (CEECs) after 1990 could be assimilated to a delayed repetition of the industrial restructuring which has begun in the west in early 1960s and was accelerated during the 1970s. Thus, one may look at the post-socialist transformation as a shift from fordist to post-fordist organization of economic, social and political life, that was not possible in a system separated from the global markets by economical and political barriers and therefore not strongly exposed to international competition.

The truth lies somewhere in between, as post-socialist transformation presents both many post-fordist features as well as several peculiar elements that cannot be noticed elsewhere. In 1990s, when the process was at its start, the reform has been compared "with the building of a new house on old, crumbled foundations, without a detailed plan and with only one third of the materials available" (*Paul*, 1995), helping us to understand the atmosphere of uncertainty characterising the political and decisional stage of the first years of the transition, where no blueprint could be looked at in order to shift from "plan" to "market".

The present paper aims to shed some light over the above-described process, analysing the transformation of Polish enterprises' system, as it evolved from the peculiar pre–1989 socialist model towards the present market-friendly scenario. The first part of the text describes how the application of the theoretical principles of soviet-inspired centrally planned economy led to the consolidation of a typical industrial structure. The second part tries to read the interrelation of post-fordist and post-socialist features characterising the transformation process. After a brief presentation of the general patterns of transition, the focus will shift to the privatization process, and to the exploration of the different agencies structuring the emerging model, from foreign investments to newborn domestic capitalist, in the light of a framework where the state, the general assumption of a passive role guaranteeing more market freedom notwithstanding, pursues a strongly active neoliberal approach and shaped Polish reality in favour of the international capital. The conclusive chapter will summarize the outcomes of the paper, trying to re-conduct the analyzed process to its social and territorial implication.

Polish organization of production under socialism

Before 1800, Polish settlement systems were constituted by some hundred cities, mainly presenting an economy based on agriculture and rural activities. Nineteenth-century constituted a period of high-pace changes for Polish production system, when a sort of proto-industrial culture, mainly generated by the diffusion of the new technologies developed in England, began to spread throughout the country. The industrialization of the Polish territory throughout the nineteenth-century was very uneven and lead to a general differentiation between more industrialized western region and less industrialized eastern areas. The south and western regions where characterised by the concentration of most of the manufactory and mining activities (Silesia in particular). Also Wielkopolska developed a fair number of relatively strong medium and small industrial centres specialized in manufacturing and strong machinery production.

The situation radically changed after the end of WWII, when Poland entered the sphere of Soviet influence, and its economic development became subjected to communist ideology and political goals derived *ad hoc* in close connection with the reality of the Soviet hegemony. The adopted centralized economic model was based on the development of heavy industries in order to foster rapid economic growth[1] (*Enyedi,* 1990). The majority of the new state investments, centrally deter-

[1]Following French and Hamilton (1983), the main goals of central economic planning were (1) the reduction of the gap between urban and rural areas; (2) the reduction of the socio-economic development differences between regions; (3) to avoid as much as possible

mined within the COMECON framework, were mainly focused on the development of a large state-owned production system, and resulted in a high level of employment in the industrial sector, especially in such branches of heavy industry as mining and steel. The guidelines regulating economic development were based upon long-term economic plans, taking for granted the determination in advance of levels of demand for given goods and services, the money supply, the inflation, the demand for labour, the distribution of productive capacity and the location and structure of investment, as well as all the most important indicators, elements and phenomena relating to socioeconomic life (*Sleszynski*, 2006).

In order to make the country self-sustaining in the production of strategic goods, and to urbanize a society still presenting strong rural flavour, a huge number of factories were localized throughout the country, only in part following the pre-war industrial localization pattern (i.e. interesting the main industrial centres developed in nineteenth-century), and mainly next to medium and small towns and in rural areas (often favouring the establishment of new towns).

Many government policies supported such a process of change, both advantaging new industrial workers and disfavouring rural ones (e.g. forbidding the subdivision of agricultural activities). The described political choices radically modified the urban structure of the nation, favouring a prodigious growth of many small and medium centres that therefore became highly economic-dependent from the industrial plants in their proximities.

After the initial successes in the transformation of the extensive growth model of the 1950s and 1960s (in the period 1950–1969 Polish GDP grew of the 250%, mainly due to a 8,5% yearly increment in the industrial production. Conti 1985) into an intensive growth model based on rationalization and savings, during the second half of the 1970s growth figures began to decrease, while the economic restructuring showed to be slower than expected, leading to what Kornai (1980) labelled "an economy of shortage". The technological obsolescence of polish factories and their excessive dimensions ensured that industries were mainly uncompetitive due to their material-, labour- and energy-intensive character (*Sleszynski*, 2006), and consequently incapacitating the economic system. This forced Polish government to take out huge loans with western countries to keep an acceptable level of industrial output and employment, in order to maintain social order and control. However the economic inefficient Polish state-enterprises were less and less capable to play the increasingly global competition game, and to meet the population's growing demand. Such a *shortage* situation ended up with a wave of protest and strikes in which the factor of economic dissatisfaction combined with

economic and social contact with western nations; (4) the organization of a centralized economic development that left few room for market influence; (5) the creation of the basis for a future *socialist society* by education and propaganda.

the desire for independence. The several revolts that took place all around Poland and the emergence of *Solidarnosc* as a strong social and political actor led to the epilogue of the communist control over Poland, and to the first free parliamentary election of the 4th June 1989.

When examining the evolution of Polish production system in the period between WWII and 1989, two sets of consideration can be made. The first concerns the role assumed by the state: the evolution of polish production system has been strongly state-driven, with the state trying to pursue in practice socialist theoretical objectives and therefore favouring the creation of the so-called *socialist society*. Such a goal presupposed the adoption of an integrated approach to social economical and territorial development, and the state to assume the double role of driver of economic and territorial development and of provider of welfare services to the population. The second set of consideration concerns the role of the state enterprises at the different scales. In line with the strong hierarchical flavour characterising the system, the central level was the dominant one, as it was the level where all economic goals were agreed upon (*Sykora*, 1999). Nevertheless, this didn't mean that the role played by the state enterprises at the local level was weak. On the contrary the enterprises, despite a weak horizontal integration, interacted in a strongly integrated vertical way, and nevertheless the continuous decisional dependence from the central level, constituted a crucial factor providing local communities with several welfare and socioeconomic services (They had their own shops, schools, sports teams, medical care, helped during construction of infrastructure and during the harvest, etc.).

These two elements, the strong influence of the state in the industrial development (and therefore in the creation of a particular economic structure) and a welfare system mainly implemented through the state apparatus will be used as interpretative lens to read the changes characterising the new structure flourishing in Poland through the transition period.

Macroeconomic reform and general patterns of transition throughout the 1990s

At the beginning of the 1990s, the weak policy priority given by polish government to pivotal themes like planning, regional and local policies, social services and housing, etc. (*Sykora*, 1999) have often been assumed as the litmus test of a transition characterised by a sort of withdrawal of the state, in a scenario where the dismantling of the old structure has been rather fast and its substitution happened in a slower and much more complex way. Nevertheless, the collapse of the old communist structure did not constitute a stop to the influence of the state on economic and development issues: only the mechanism changed (*Paul*, 1995; *Shields*, 2004).

Even though central economic planning was reduced considerably, and the mono-political power of the communist party has been replaced by democratic structures, the state didn't play a neutral role in the reform, for it has been the main responsible for bringing in market-friendly forms of governance that constitute now the main feature of Polish reality.

In the new Polish transition scenario, instead of the state-driven top-down arrangement peculiar of the previous system, the state began to play a role of coordination of the actions of the different agencies involved and, apart from the official discourse of a "powerless state", remained the crucially important political actor (see part 6), and strongly contributed to the dismantling of the welfare/development state and to the creation of a friendly operational environment for foreign capital to massively colonize the new economic system through the privatization of former state-owned sectors, leaving few place for local private capital to develop and operate (see part 5).

Poland began its social and political transformation with the burden of its socialist heritage. Whereas obsolete production structures (41% of the Polish GDP in 1989 was still created by state owned heavy industry. Gorzelak 1996), underdeveloped technical infrastructure (in 1989 there were 82 telephones for 1000 people, and 69 km of roads for 100kmq. Szul/Mync 1997) and closeness of the economy could be mentioned as main negative characteristics, a well educated labour force, high level of social security and strong development of social infrastructure were the strong assets characterising the legacy of the previous historical period.

Soon after the overthrow of communism, the introduction of market economy took shape, without any blueprint to refer to. The shared opinion on the edge of the 1990s supported the idea of a fast embrace of the new economic model: Poland started therefore a so-called *shock therapy* – a drastic anti-inflationary program combined with a fast liberalization of the economy (*Brada*, 1993), underestimating social costs and resulting in a deep recession and a breakdown of several branches of the economy (*Parysek*, 1993), that suffered a major drop in the output levels (in the state owned sector), dramatically growing unemployment and strong inflation pressure (*Table 1*).

The recovering process was slow, as in 1989–92 the official GDP decline for Poland was -15%, and only in the beginning of 1993 it was possible to see the first signs of economic regrowth. One of the main worries of the different governments was the creation of economic and legal conditions to attract foreign investors. Poland represented a large potential market, and Polish government worked hard to create the institutional framework for foreign and domestic capital to operate as soon as possible. In the period 1990–1992 foreign capital invested in Poland amounted respectively to 374 millions, 694 millions, 1300 millions US dollars. Such an acceleration has been the result of several factors, among them being the stabilisation of the general political and economical situation, the changing attitude of foreign investors towards CEECs and, most important, the introduction of more favourable rules and conditions for foreign investors (few or no restriction for foreign capital, the possibility to repatriate all profits, the introduction of several tax relief's opportunities).

Table 1

Economic development trends in Poland, 1989–1997 (Previous year=100)

Categories	1989	1990	1991	1992	1993	1994	1995	1996	1997
GDP	100.2	88.4	93.0	102.6	103.8	105.2	106.5	106.1	106.9
Industrial production	99.5	75.5	92.0	102.8	106.8	112.1	109.9	108.3	110.8
Agricultural production	111.0	99.7	106.8	87.7	108.8	89.2	117.8	99.1	101.7
Exports	100.2	113.7	97.6	97.4	98.9	118.3	116.7	109.7	113.7
Imports	101.5	82.1	137.8	113.9	118.5	113.4	120.3	128.0	122.0
Foreign Investments	73.3	809.0	185.0	233.0	253.0	109.3	195.0	142.0	109.0
Fixed capital formation	97.9	89.4	95.6	102.3	102.9	109.2	126.0	120.3	120.2
Inflation	351.0	686.0	171.1	142.4	134.6	130.7	126.8	119.8	113.3
Unemployment rate	/	6.3	11.8	13.6	13.7	16.0	14.9	13.2	10.5
Consumption	/	6.3	11.8	13.6	13.7	16.0	14.9	13.2	10.5

Source: Roczniki Statystyczne – Statistical Yearbooks, 1990–1998.

The process of economic restructuring has proceeded, although not as fast as assumed, through all the 1990s, and presented two different dimensions:

- the collapse of several enterprises, which has not always reflected the real economic situation and growth potential, but often has been the result of external conditions (as the collapse of traditional markets);
- the growth of old firms and fast establishing of new economic units, mostly in progressive economic sectors, mainly due to foreign investments.

A constant decline in agriculture has been replaced by a very high growth of the share of tertiary activities, reflecting a sort of rationalization of the overall economical structures (*Table 2*).

Transformation effects on the labour market were dramatic, with pauperization and unemployment hitting wide strata of the population. The decrease in the number of jobs due to the economic recession manifested itself from the very beginning of the transformation period. The total number of lost jobs in Poland in the period 1990–1993 amounted to over 2 millions, and in 1994 the unemployment rate reached 16% of the economically active population. The economic reform resulted in greater social polarization not guaranteeing a maintenance of their standards of living to most of the workers, mainly due to the growing polarization of incomes and in the precariousness of jobs.[2] Moreover, state subsidies for several social services, such as recreation, childcare, etc., have been withdrawn almost entirely (with the *social insurance system* and *pension system* reform started in 1996 and concluded in 1998. *Gorzelak*, 1998). This led to a shift from a granted supply of social infrastructure and social services, to the privatisation of those services and the growing impossibility to benefit from them due to the high costs.

It is evident how the scenario just described has been characterised by a strongly growth oriented transformation. Investment efforts and replacement of old and obsolete fixed assets of low technical standards by new equipment was the basic assumption behind these scenarios. The text will now go on to analyse the effect of such a *shock*-approach on the process of privatization of Polish enterprises.

Table 2

Creation of the GDP in Poland, 1989–1996

Sectors	1989	1990	1991	1992	1993	1994	1995	1996
Industry	41,0	43,6	39,2	39,6	33,4	32,2	28,9	27,1
Construction	9,6	9,5	10,9	11,2	6,6	5,7	5,2	5,3
Agriculture	12,2	7,3	8,4	7,3	6,6	6,2	6,6	6,0
Other	37,2	39,6	41,5	41,9	53,4	55,9	59,3	61,6

Source: Roczniki Statystyczne – Statistical Yearbooks, 1990–1996.

Polish enterpries' privatisation in the new market economy

Several fundamental changes began to affect Polish enterprises after 1989. As described above, to the considerable decline in the industrial output in the first years of the *shock therapy* (33% in the period 1989–1991) followed a fast growth of the production, due to the raise of domestic consumption and growing exports, and thanks to the fundamental transfer of ownership and the connected far-reaching structural and qualitative changes taking place in the entire sector.

The highest growth interested computer, plastic and rubber factories, electronic and electrical machinery, motor vehicles and precision instruments. Analogously to post-fordist transformations interesting Western Europe, the structure of Polish

[2] If compared with the socialist period, when the society was characterised by strong egalitarianism, income differentiations grew exponentially, with the richest 20% of households having an income per capita 6 time higher than the poorer 20% (*Gorzelak,* 1998).

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industry moved towards an increased share of medium- and high-technology and basic consumer goods at the expense of raw materials and simple semi-finished goods dominant under communism (*Domanski*, 2006). The centrality of privatization to the transition is instead a post-socialist peculiarity, and focused on the efficiency gains of the adjustments to capitalism, as privatization was assumed to provide efficiency through private propriety and competition, motivating economic performance. Therefore privatization was supposed to reform not only the management of enterprises, but the economy as a whole, due to the relationship between private propriety and market efficiency (*Kornai*, 1990; *Estrin*, 1994).[3]

The struggle around the privatization bill lasted 10 months, mainly due to disagreement on its basic principles. The government wanted to implement a British-style privatization, with the sale of state-enterprises by the state organs through public offering. Part of the *Solidarnosc* establishment opposed the plan, preferring "employee share ownership privatization" (*Kowalik*, 1991). The support of Jeffrey Sachs was crucial to defeat this position and to break the reached legislative stalemate. The government, and in particular the Minister of Privatization Janusz Lewandowski, with the help of World Bank and International Monetary Fund and World Bank (that made their structural adjustment loan conditional on the adoption of the bill), rejected the "employee share ownership privatization" model in order to facilitate the concentration of capital. The legislation finally passed by the *Sejm* in July 1990 was ultimately ambivalent regarding the decision-making and programme design of privatization. The system implemented entailed a two-tier system with the state deciding the overall direction of privatization and the level of revenue expected on annual basis (*Shields*, 2004).

Two main forms of privatization have been adopted: *by liquidation* and the so-called *capital privatization*. There are two types of *Privatization by liquidation* (Gorzelak 1998):

- Liquidation on the basis of the Article 19 of the Law on State Enterprises (1981). Under this procedure the existence of state-owned enterprises as a legal entity is terminated if it is in difficult economical conditions. In this case, the propriety of such an enterprise may be sold or leased, usually in parts;
- On the basis of Article 37 of the Law on Privatization of State Enterprises (1990). In this case a state-owned enterprise is liquidated, by selling or leasing, to a buyer.

[3] As stated by Schusselbauer (1999), "Privatization should result in a new private and institutional ownership structure replacing the old sclerotic state-administered system with his low efficiency pressure and distorted market and price signals. There is little doubt that private ownership leads to an incentive system in which the costs of production are minimised according to the relative price structure and the output structure is oriented towards market signals given by the preference structure".

Capital Privatization, based on Article 5 and 6 of the Law on Privatization of State Enterprises. A state enterprise becomes a company wholly owned by the State Treasury and than issues shares. If over than 50% of the shares are sold to private owner(s), the enterprise is considered to be privatized. In many cases the shares are offered at the Warsaw stock Exchange.

Also a sort of *Voucher-type Privatization* was introduced in Poland in 1996, under the so-called National Investments Funds Program. The State Treasury became owner of 512 state enterprises, managed by 15 National Investment Funds (NIF). Coupons issued by these funds covered the value of the enterprises and where made available to each adult citizen at a price of 8$. By the end of 1998 the coupons unsold were turned into share and managed by the NIFs.

The privatization process has gone through ups and downs. The peak in the pace of changes in the ownership structure came in the second half of 1991. By 1997 some two-thirds of the original number of 8441 state-owned enterprises at the end of 1990 had begun the process of ownership transformation. In every fourth state enterprises this process was completed. Up to the end of 2004, some 7165 state enterprises had been privatized (including 1852 through closure), constituting the 85% of the entire amount.

Nevertheless, none of the contending approaches to privatization has been particularly successful. Building domestic capitalism has proved a hardly solvable problem for all Central and Eastern European states. Ownership changes have not brought with them significant amount of investments, and privatization has not succeeded in immediately creating domestic agents of capital.[4]

In a transition path dominated by the believe that only with an appropriate level of investment it would have been possible to reach high growth rates in the long run (*Gorzelak,* 1996), the scarcity of domestic capitals in Poland at the turn of 1989 strongly slowed down the process. Therefore the crucial factor to successfully pursue the wished scenario was the establishment of the framework of rules necessary to guarantee to foreign capital to play a strong role within the scenario itself. Several incentives had to be developed in order to attract foreign capitals to enter polish privatization process. The presence of a big share of foreign capital resulted in the establishment of a sort of vicious circle that contributed to inhibit the rapid development of domestic capitals, with the former starting to gain control of Polish market. In quantitative terms, of the combined earnings of the top 500 polish firms in 1999, 30,8 percent was constituted by foreign capital, against 19,8 percents of domestic one (the rest still being State-owned enterprises). In 2000 foreign capital

[4]Restructuring has been disappointing, so much that the UN World Economic and Social Survey states that "however different the speed and depth of economic reform, one key problem was common … In none of [the Central and Eastern European countries] have economic agents conformed to the model that the policy makers had in mind as their goal when they launched the reforms" (UN 1995: 163).

had reached the 35.6 percent, while domestic one just 21.3 (*Rzeczpospolita,* 2001). This fractions are the dominant structures articulating the process of capital accumulation in Poland, and will be further explored in the following paragraph.

Foreign direct investment in the polish "capitalism without capitalists"

Immediately after the beginning of the transition period, with the end of the state control over the market, a growing number of western enterprises started to relocate their businesses in the ex-socialist nations. Favoured by the specific legal framework appositely created by the government, foreign investment played a crucial role in the privatization of state-enterprise apparatuses, proceeding at growing pace after 1989.

The entrance of foreign capital on Polish markets could be divided into three different time periods:

- Before 1989: economic relation with international capital existed before 1989. Since the 1970s, several Western enterprises tried to penetrate the iron curtain and to locate part of the production in CEECs, in order to have access to a new share of market, taking advantage of Polish government consensus on the benefit of Foreign Direct Investments. Several franchising and licensing agreements followed larger firms operating in the region (e.g. ZPT Krakow produced Marlboro under licence since 1973). The equivalent of a chamber of commerce, InterPolCom, was set up in 1977 to facilitate foreign direct investments, that in 1986 amounted at $100 million (*Sklair,* 2001). Nevertheless several attempts of "opening up" (e.g. Gierek's import-led growth strategy of the 1970s), the socialist structure inhibited a massive colonization of the economy, limiting foreign intervention to the creation of small businesses, and permitting large production only under franchising or licensing agreement (*Shields,* 2004).
- 1989–1991/2: this period was characterised by prudent industrial investment, mainly operated by mixed groups, aiming at testing the characteristics and the stability of the new market together with the financial atmosphere, the real possibility to re-export profits, the potential delivery market, the political stability, the cost and quality of the labour force (*Michlak,* 1993; *Buckley–Ghauri,* 1994). The role of the state have been crucial in this process, as it undertook the organizational reforms necessary for a proper functioning of the new economic model. Among them are worth a mention: lifting the limit on the size of private firms, elimination of legal limitation hindering private entrepreneurship, elimination of 49% limit of foreign participation in joint

ventures, establishment of the Ministry of Ownership and Transformation (dealing with privatization), opening of the Warsaw stock exchange (in 1991), reorganization of a former institution giving obligatory concession for foreign investments into the Polish Agency for Foreign Investments, with the specific task to promote Poland among foreign investors and facilitate their intervention with financial deregulation (*Szul–Mync,* 1997).

– A second period, after 1993, witnessed the jump into the stage of multinational enterprises and the number of investments saw an exponential growth together with a complex diversification of the investment fields (*Blazyka,* 2001). The state has not been passive in this process, enhancing legislation aiming to the provision of generous incentive like tax holidays and tariff and quota protection in accordance with *Prawo celne z 1989* (Costum Law of 1989) and *Prawo z 1991 roku o spolkach z obcym udzialem* (1991 Law on companies with foreign participation). Due to the exponential reduction of bureaucracy and to the increasing legal protection for FDI, particular sectors of the economy were gradually transformed from state-owned monopolies to transnational capital monopolies, in a process where privatization, instead of bringing about competition and demonopolization, perpetuated and exacerbated market domination and concentration. (e.g. Fiat and General Motors dominated the auto sector after negotiating state protection from competing imports. *Gowan,* 1995).

Foreign capital began to enter practically all sectors and branches, its most visible presences being in car industry, trading, food industry, furniture, electronics, and since the second half of the 1990s also in banking and financial services, now the main direction of investment (*Szleszynski,* 2006).

In the beginning of the transformation (see *Table 3*), the main amount of foreign capital invested in Poland was coming from USA and international organization (i.e. the IMF, the World Bank, etc.), and the situation lasted until the end of the 1990s. Nevertheless the striking poor presence of European capital in the early period, the share of foreign investment in Poland will invert in favour of European capital on the edge of 2000, and as of the end of 2004, 74% of all investments in Poland had come from EU15, with France, Germany and the Nederland on top (*Szleszynski*, 2006). The total amount of foreign capital inflowing to Poland continued to growth exponentially until now during the whole transition period (see *Table 4*).

As showed, during the 1990s, the main aim of polish legislation was to eliminate constraints to foreign investment, considered an essential element for economic recovery (*Fischer,* 2000). Nevertheless, while contributing to revitalize through privatization a great number of declining state enterprises, several negative effect are often associated to foreign investments (*Paul,* 1995; *Shields,* 2004), as

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the main share of profits they generate is re-exported outside national borders and does not contribute to positively affect national development, and foreign-promoted activities are usually easily to be relocated once the economic context is no longer favourable.[5]

Table 3

The biggest foreign investments in Poland by countries

Country	1991–1993 Capital invested M$	Country	1995 Capital invested M$
USA	1050	USA	1702
International org.	245	International org.	871
Italy	220	Germany	512
The Netherlands	210	Italy	378
Germany	203	The Netherlands	353
Austria	195	UK	319
France	180	France	275
Sweden	80	Austria	246
UK	78	Sweden	140
Switzerland	40	Switzerland	121

Source: List of major investors in Poland. Polish Agency for foreign investments. Rzeczpospolita 22 April 1995.

Table 4

Inflow of foreign capital in Poland, 1976–2005

Year	M $	Year	M $	Year	M $
1976	6	1986	16	1996	4498
1977	65	197	12	1997	4905
1978	25	1988	15	1998	6365
1979	30	1989	11	1999	7270
1980	10	1990	89	2000	9343
1981	18	1991	291	2001	5714
1982	14	1992	678	2002	4131
1983	16	1993	1715	2003	4589
1984	28	1994	1875	2004	12873
1985	15	1995	3659	2005	7724

Source: Central Statistic Office.

[5]Furthermore, foreign investments proved to be highly spatially selective, since they hardly targeted decline areas, and interested mainly those already affected by economic growth, leading to a worsening of spatial polarization effects (*Cotella*, 2007).

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Coming to explore the development of domestic capital, whereas in Western Europe large-propriety owners created the institutions of the market economy, in Poland and other CEECs one of the main aims of transition was to promote private ownership through mass privatization. Following Eyal et al. (1997) it is possible to notice, that whenever the process of transition has been characterised by the rapid creation of the legal and institutional framework necessary for a market economy to work, this led to a scenario where the existence of new market institution combines with a relatively scarce presence of national propriety owners. The resulting model is a sort of "Capitalism without capitalists", characterised, rather than by a real capitalists class, by a complex network of cross-ownership, self ownership and ineffective small shareholding via investments funds connected with state-owned banks (*Stark*, 1996), with a new "power elite" controlling the command positions of political and economic institutions. Therefore, a new "Polish bourgeoisie" in an economic sense remains unfulfilled in a scenario where the only distinct owners are the state and foreign capital (*Eyal* et al. 1997).

Even if a first wave of national capitalists emerged during the 1980s, when Polish government favoured first attempts of privatization and the creation of small businesses, partnership with foreign capital was often the main condition of the emergence of new economic subjects, as almost no capital was present to undertake private investment on polish territory. The introduction of free-market processes stimulated the rapid development of domestic private entrepreneurship, with a million businesses registered in 1991, a second million achieved by June 1993 and a third by December 1999 (*Sleszynski*, 2006). Nevertheless the 3.6 million firms in existent in Poland by the end of 2004, most of them are small activities frequent family-owned, and very few are large enterprises. The main role in the economy of the country is played instead by the largest firms (the first 500 firms in terms of income account for around the 60% of the national total), most of which depend from foreign capitals. The conditions provided by the state, favourable to foreign investment due to continuous deregulation, in fact constituted a strong inhibition for the formation of a solid national entrepreneurial class. Where it did happen, the relatively young formation and the limited financial capital, most of the time leads to an unfair competition with the foreign counterpart on international markets, as well with foreign investors on their own territory.

The Crucial Role of the State

In the majority of studies concerning Central and Eastern Europe, the international influences has seldom been considered as a main driving force, while it is evident how the international scenario has been crucial, as Poland had to promote its own

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economic development inside a complex international scenario influenced by international multi-lateral institutions (*Shields*, 2004).

As underlined by Piazolo (2000), Polish transition had a strong European flavour, as accession into the EU was always linked to political conditionality in the establishment of a functioning market economy. Also the International Monetary Fund (IMF) contributed to influence the macroeconomic reform, guaranteeing credits and loans that created the necessary economic stability for commercial institutions and foreign investments to operate (therefore constituting a sort of vanguard of the capitalist economy). When it was time to take the hard measures in the period of transition, Polish government often used IMF and EU Accession Treaty as a cover excuse to undertake the most controversial steps (*Szul–Mynk,* 1997). But, as Rodrik (1989) affirms, to embark reforms formally agreed with the EU or the IMF in order to enhance their credibility, also strongly reduced the scope of governmental manoeuvring and flexibility in arbitrary changing the policies. Thus, it can be said that the main directions of Polish development have necessarily been embedded in a wider international system, in an era characterised by international agents overcoming permeable national borders and configuring the material basis for political processes (*Rosenau,* 2000).

Within the described internationally influenced framework, the transition process transforming Polish economic system from centrally-planned to market oriented, has been often explained as characterized by a withdrawal of the state from economic intervention. Although this argumentation has been very often raised to counteract the proposition of a more regulation-oriented transition, the followed path presented a high degree of state intervention. As Shields (2004: 133) affirms, “one of the ironies of transition is that despite the collapse of state socialism the role of the state has not necessarily diminished, instead the nature of state intervention has changed”: occurring in the context of contemporary capitalist world order, the government approach to the transition has been strongly influenced by several international forces, and reconstituted in favour of international capitals.

Particular state apparatuses assumed the role of the leader in the sphere of production and finances, like agencies directly connected to the national economy, such as Ministry of finances, progressively began to influence the role of the Ministries of industry, labour, housing, and progressively subordinated their needs to the one of international economic forces.

The minimal state philosophy adopted in Poland, characterised by a *laissez-faire* rhetoric hiding strong government interventions in favour of capital, nationally found a strong justification in the resurged cultural beliefs in self-reliance and individualism, caused by 45 years of attempt to impose uniformity (*Sykora,* 1999). The slogan “the less government the better” was used in order to support abolition of taxes on foreign capital, to phase out Social Security systems in favour of private retirement and to promote the privatization of historically public welfare sectors.

The increased power of capital was not necessary removed power from the state. It is the nature of state intervention that has changed, intervening in this intensification process and taking care of the interests of the international capital in order to benefit from further investment and reach faster overall economic growth.

Examining the economic and the political as distinct moments part of the same totality, it is possible to understand how such a neoliberal economic project has been preformed through the harmonization of fiscal, monetary, industrial and commercial policies in order to fully enable the functioning of international capitals. Public intervention played a very important role in this process (as it appears clear analysing the legal and institutional reforms described in part 5), as political and economic leaders did not consider public involvement itself to be inappropriate, but rather specifically social services-oriented ones to be unwanted.[6]

Conclusion

The elements described above show how the process of economic restructuring occurred in Poland during the transition period has been a complex process, presenting both the features of a post-fordist transformation as well as a strong post-socialist flavour. Capitalism did not fall on Poland fully formed from the sky in 1989, rather the state has been the architect of a specific type of transition, establishing new "rules of the game" and embedding Polish economy into a wider international scenario. Two main dimensions of such an approach can be underlined: on the one hand the enforcement of logics and laws of capital accumulation by the provision of the necessary stability for the new market economic model to work. On the other hand the dismantling of the welfare system developed under the previous historical period that contributed to impose the cost of transition on labour.

In the socialist period, nevertheless the long term objectives of overall economic growth, and in spite the rigid top-down structure and the weak horizontal integration among sectors, the society was the object of a complex system of service delivery and redistribution operated by both state apparatuses and state enterprises. Even though the original theoretic objective to diminish the gap between urban and rural areas and between the levels of development of the different regional realities

[6]In this direction moved the already introduced reforms of the pension, as well as the lack of corrective measures to fight constantly increasing social and spatial polarization. Unemployment is still one of the major emergence: peaked at 16% in 1994, it dropped to around 10% in 1997, due to the stabilization of the economic situation after the negative effects of the firsts years of the shock therapy. Since then it has been raising steadily towards the 20% of 2001, the worst situation since WWII.

was soon given up as economically unrealistic, the decentralization of industrial production and the creation of a strong welfare system contribute to the achievement of a sort of social and spatial re-equilibrium.

In the new transitional scenario, the state reorganized its role from leader of the economic development and provider of the benefit deriving from the economic growth in form of redistributive policies, to designer of the rules for new players to play the game and to guarantee national economic growth inside the broader global scenario.

Such a transition path adopted by the state, aiming at the production of the ideal conditions for international capital to operate and to perpetuate itself within the new context, did not produce equal development possibilities at the local level. The transition process proved to be strongly spatially selective and only those centres that were able to attract capital fluxes, mainly foreign, and to offer valid guaranties to private investors, ended up with benefits. This situation led to two contradictory phenomena: on the one hand the consolidation of new "pulling" regions, on the other hand the inertial resistance to any transformation of the regions characterized by structural inertias (cf. among others: *Paul,* 1995; *Bachler* et al. 2000; *Gorzelak* et al. 2001).

The new role played by the state could be seen as Janus-faced, strongly intervening in favour of capital but following a *laissez-faire* rhetoric when is referring to its role as a "redistributors of benefits" to the society. This attitude results in a substantial subordination of national and local interests to the international dimension, and degenerates in growing phenomena of both social and spatial polarization.

In conclusion, nevertheless many of the conditions that negatively influence Poland's economic development potentialities nowadays could be imputed to the heritage left by the socialist system, it is evident how today's growing spatial and social disequilibria are also direct consequence of the adopted transition model. The increase of goods and services available notwithstanding, escalating job insecurity, decreasing in real wages hitting weak social categories, growing unemployment, lowering of employment conditions are the real flavours of a transition path that has as a main result the pauperization of the weak classes. Whereas international capital, new managerial elites and financial advisors are the winners of the transition, local communities, working class and socially weak groups have been definitely the losers, as their interests are more and more unheard in a governance system strongly entwined in the broader international scenario.

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