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POLAND AT THE CROSSROADS : REFORMS, OPPORTUNITIES AND CONSTRAINTS

“Poland is not lost as long as we are alive...” These first few words from the Polish national anthem are the mirror image of the Poles as a nation. A perfect and straight-forward assertion of patriotism ; an idealistic but determined commitment to fight for, and preserve national independence and self-rule; a pervasive and persistent fear of being lost; a unique spiritualisation of history with idealised sequence of the past, present and future; and above all, an endless homage to the nation and its pride have combined to make Poland what it is. Poland is a nation whose often tragic history is yet coloured by past eminence and a vital role played in Europe.¹ A proud nation with roots deep in the past has over the years of history gone through revolutionary changes, many of them dramatic and often traumatic. Poland lost its statehood in stages, its territory divided among its neighbours : Russia, Austro-Hungary and Prussia² and disappeared from the map of Europe altogether for nearly 150 years

* An earlier version of the paper was presented at a seminar on “Poland Today” organised by Centre for Development Research, Bangladesh, on 12 April 1988

1. *The New Encyclopaedia Britannica, Macropaedia*, Vol. 14, University of Chicago, 1978, p. 637.
2. Jan Tomasz Gross., “In Search of History,” in Abraham Brumberg (ed.) *Poland : Genesis of a Revolution*, Vintage Books, New York, 1983 p. 4

from the late eighteenth century until the end of World War I. But in one of most extraordinary feats of national faith Poland remained in the hearts of its people as they were divided among neighbouring states.³

It is hardly surprising that Poland's national aspiration and its people's vision for the future are drawn inseparably from the past. Poles as a nation are 'wildly romantic', individualistic, adventurist, struggling and perhaps to some extent anti-establishment. History has ingrained in Poles not merely a mistrust of neighbours, but also a continued preparedness for change in pursuit of a better future. Recurrent socio-political explosions have thus been the dominant feature of Poland's contemporary history. The end of the World War II had failed to fulfill many of the expectations nourished by the Poles during the horrible years of Hitler.⁴ Evidently, of course, there has been little antagonism among the Poles in general against the principles of socialism *per se*, whilst they have been disenchanted by the way it has been practised. The result has been a recurrent confrontation between the people (even the working class) against the communist authority.⁵ Time and again Poland has witnessed 'spiral of hopelessness' and eruptions of social discontent translated into political crises. In each case—October 1956, March 1968, December 1970, August 1980—the shortcomings of the socialist system not only stood revealed by virtue of the upheavals, they were explicitly recognised by the political authorities.⁶ And in three cases worker revolts resulted in major changes in the government and party hierarchy including top party positions. Eastern Europe has of course witnessed upheavals elsewhere—

3. Henry Kissinger, *White House Years*, Little, Brown and Co., Boston, Toronto, 1979, p. 1266.

4. M.K. Dziekanowski, *Poland in the Twentieth Century*, Columbia University Press, New York 1977, p. 233.

5. Arthur R. Rachwald, "Poland's Socialism," *Current History*, November 1984, p. 336.

6. Jack Bidasiak, "The Party : Permanent Crisis," in Abraham Brumberg (ed.) *op. cit.* p. 24

Hungary in 1956 and Czechoslovakia in 1968. The Polish paradox differs from the other cases in one substantive way—whilst the Hungarian and Czech upheavals were ‘revolution from the above’ led by dissident intellectuals and disaffected party members, the Polish experiment, particularly the latest in the series sparked by the strikes in the summer of 1980, represents a broad-based ‘revolution from below’ led by workers.⁷

With its constituent base in the industrial working class, its organisational strength in inter-factory strike committees, its elaborate system of worker delegates and worker spokesmen and its programmatic dedication to grassroots democracy, Solidarity has been viewed to have proffered history’s severe judgement on the socialist system.⁸ Solidarity, its rise and fall, and its refusal to expire has dominated not only the Polish but the whole of East European scene since the summer of 1980.⁹ Particularly significant is the way a sea-wave of reforms is sweeping the socio-political and economic scenario of Poland since mid-1981 in quick succession of each other.

The systemic weaknesses and their contribution to the crisis appear to be more openly and seriously recognised at the official level than before. A reform project was endorsed by the Polish United Workers Party (PUWP) Congress of July 1981 and enacted by the parliament in a series of legislative measures during 1982-83. Although the rate of implementation is slower than expected, analysts and observers tend to agree that considerable changes have taken place in legislation and actual practice.¹⁰ The 10th Party Congress of July 1986 reaffirmed the reform blueprint while in April 1987 proposals for discussions on

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7. F. Stephen Larrace, “Poland, The Permanent Crisis” (Review) in *Orbis*, Summer 1981, p. 233.
 8. Roman Laba, “Worker Roots of Solidarity,” *Problems of Communism*, July-August 1986, p. 47
 9. *Strategic Survey, 1984-85*, IISS, London, 1985, p. 51
 10. World Bank, *Poland, Reform, Adjustment and Growth, A World Bank Country Report*, 1987, p. 19.

the "Second Stage of Reform" were published. The measures proposed under the reform appear to be comprehensive and are claimed to be of far-reaching consequences for the socio-political and economic life of Poland.

This paper is an attempt at examining the various dimensions of the reforms and their possible implications for Poland's future. The main theme of what follows here is that the problems that face Poland have too deeper roots than can be expected to be resolved readily. The country is certainly at the crossroads, and in the cyclical movement of its history, in yet another phase of enormous possibilities whereby the gap between the top and the bottom can be bridged. The attainment of the avowed objectives of the reform, by all indications would depend on the way the in-built mistrust and lack of confidence between the rulers and the ruled are reconciled and on the degree of shared commitment toward the reform measures rather than on the quality of the proposed changes *per se*. Poles are a nation that is fond of change, and to an extent impatient about that. The reforms, and their ultimate objective of 'socialist renewal' can, however, be expected to be implemented only in a continued process stretching beyond the immediate future. And by no indication lessons from Poland's unique history can be insulated from how this process is likely to evolve. The rest of the paper is devoted to the development of this theme.

I

THE REFORMS : ELABORATE AND AMBITIOUS

"Programme of the Polish United Workers Party has brought a socialist renewal through an irreversible momentum of actions..... Socialist renewal reflects the realities of the current stage of development (in Poland) Its complete introduction should change the working conditions, the way of life of the whole society, should benefit

every family, every individual".¹¹ This rather straightforward assertion of the Polish leader General Wojciech Jaruzelski underlines the level of compulsions for and the type of expectations out of the on-going reform process, officially dubbed as socialist renewal. The reform measures, as would be clear below, are by any standard, wide-ranging and appear to be radical at least for the deep-seated changes that these are claimed to be aimed at.

The basic imperative for the current phase of reforms emerged from the experiences of the most serious and prolonged economic crisis of late 1970s which culminated in the socio-political turmoils of 1980. While it may not be possible to attribute the Polish crisis with the socialist economic system as such,¹² the systemic weakness of socialism indeed contributed to a great extent to the crisis. A traditional model of centrally planned economy was established in Poland at the beginning of the country's life as a socialist state. Centralization was nearly complete by 1950 and a socialized (combination of state and cooperative) sector embraced almost the entire economy except the agriculture.¹³ The economy functioned on the basis of a detailed central plan, prepared primarily in physical terms and on the basis of aggregation of output targets and input requirements of production units, which

11. Statement of Wojciech Jaruzelski at the conclusion of the VI Plenary Session of Central Committee of the PUWP, quoted in *Zolnierz Wolnosci*, (in Polish) 17 December 1987,

12. Other countries with very similar economic systems had much less serious problems, and several non-socialist countries had comparable problems. This part of the paper, particularly the highlights of the reform is drawn heavily from, unless otherwise mentioned, : *Poland, Reform, Adjustment and Growth*, *op. cit.*, "Programme for Implementation of the Second Stage of the Economic Reform, Directions of Major Actions", Council of Ministers, Warsaw, October 1987 ; "Theses to the Second Stage of the Economic Reform" (Summary with Comments), A Polish Official Document, Embassy of the Polish People's Republic, Dhaka.

13. Attempt at collectivisation of agriculture was successfully resisted. More on distortions in agriculture in the next section,

operated within the set of instructions transmitted from above. Foreign trade was a monopoly of the state. Monetary policy was totally passive. Central and commercial banking operations were the exclusive horizon of a "monobank" which monitored plan implementation and adjusted financial plans passively to real plans. Several sectoral ministries used to oversee and administratively control the enterprises which had little more than accounting identity. The communist party played the leading role in economic as well as socio-political life. Like in other centrally planned economies the overriding thrust of economic policies was on fast industrialization; priority for investment, especially in heavy industry; balanced trade with a heavy bias in favour of links with Eastern bloc; full employment of labour; and price and monetary stabilization.

The system showed initial success with rapid post-war reconstruction and accelerated growth, but problems soon surfaced with distortions gradually embracing nearly every sector of the economy. Investment tended to grow exceedingly disproportionate to the absorptive capacity of the economy whilst shortages pervaded in production, particularly in consumption goods. The lack of motivations for profit and indifference towards losses led to numerous microeconomic inefficiencies in terms of technical choice, input utilization, output quality and consumption structure. Productivity of both labour and capital had slowed down. The domestic price structure was insulated from the international market and enterprises remained unresponsive to opportunities in the foreign trade sector.

Pressures to reform the system mounted on various occasions and every time the main thrust was to make the system more efficient and adapted to the specific economic, social, cultural and political conditions and traditions of Poland. The last four decades have indeed witnessed changes in official regulations on a continued basis, on each occasion the main concern was to decentralize the system and make it more market oriented. The failure of these attempts reflect a built-in tendency in any socialist economy for continued assertion

of central control. In addition of course, the 'vicious link' between crisis and reform compounded the problems. Socialist economies are not the lone sufferers out of this link. Economic and political crises in any system underline the need for reform. The way the crises make reform readily acceptable, they also provide the most serious impediments before the success of reforms, so that there is the continued possibility of retreat. The Polish case is no exception. Two previous major reform attempts came in the wake of crises of 1956 and 1970. The current one occurred at a time when the country was enduring the severe-most of its crises in 1980-81.

The main substantive difference of the current phase of reform from the previous ones is that an official recognition that the roots of the crisis lay in political as well as the economic characteristic of the system was given in the Government's "Report on the State of the Economy, 1981". The result is that the reform project which is now in its second stage provide for a whole set of economic and organisational actions desired to restructure the entire system of the economy towards ensuring efficient and effective performance.¹⁴

The present so-called "Second Stage" of reforms launched in the wake of the 10th Party Congress of July 1986 is more an extension over the original reform project of 1981 than any substantive departure therefrom. There seems to be an official recognition that the reform remains unfinished and its implementation is high on the political agenda. One notable new dimension is that the "Theses Concerning the Second Stage of Economic Reform" published in a special supplement of the *Rzeczpospolita* in April 1987¹⁵ have since been subjected to widespread public debate and subsequently to a nation-wide referendum on 23 November 1987.¹⁶ The Key-notes of the reforms emerge out as follows :

14. Marian Wozniak, "Second Stage of Economic Reform" *Contemporary Poland*, No. 7-8/1987.
15. The Theses were prepared under the auspices of the Secretariat of the Economic Reform Commission.
16. Although the outcome of the referendum was much less than a positive vote, the government opted for continuing with the 'bold changes', of course, with some revisions. More on the referendum little later.

Economic

a) *Strengthening the autonomy and responsibility of enterprises, i.e., decentralisation of economic decisions and reliance on competitive markets and prices instead of central plans and commands.* The enterprises are to have greater exposure to international prices. Market imbalances are to be reduced and employment and wage structures are to be liberalized subject to the general framework defined by the central authorities. Subsidies are to be curbed and enterprises are to operate on the principle of self-financing under legal provision that ineffective and bankrupt should be eliminated whereas profit-making ones should expand in response to demand. The main thrust of the expected change is to make enterprise perform on their own and to introduce greater accountability.

Increased enterprise autonomy does not of course, eliminate certain critical administrative instruments of management which would continue to define the general framework for activity. These include foreign trade guidelines, quality control, and matters related to environment protection and material and energy-intensity standards. Although enterprises will have much greater freedom to set prices, anti-monopoly laws will be enforced and some monopolistic enterprises will be broken up to foster competition. World (transaction) prices will be used for raw materials and intermediates, but general control will be maintained over the rate of price increases.

b) *Diversification and enrichment of organisational structure and management* geared to release and ensure greater worker's incentive and participation. The intention basically is to introduce worker's self-management in enterprises including matters related to appointments, rewards and promotion. Decisions about the distribution of value added and investment structure are to be vested in the enterprise itself. The concern here is to increase productivity by making the most effective use of human and material resources and by innovativeness and entrepreneurship. Enterprises, irrespective of size - small, medium, large

and even economic unions—should be competitive with each other at their respective levels.

The changes are to be pervasive, to include the various sectors including the socialized and private ownership; and production, trading and services sector. Possibilities have been opened and/or expanded for establishing joint ventures and forming joint-stock companies with registered ownership of shares by employees. Individuals may become able to purchase and trade in bonds. With greater emphasis on entrepreneurship and innovation the development of private economic units, particularly in the services and small manufacturing sector has been encouraged. A banking reform is to take place with National Bank of Poland as the central bank while other banks will be established to compete with each other.

In the field of external trade greater participation of enterprises is envisaged particularly for boosting competitive exports. Measures of export promotion such as the use of tax incentives, marketable export retention rights, etc., will be expanded. A policy of flexible and realistic exchange rate will be maintained and virtually any producer will be eligible for a license to export.

With a view to reinforcing enterprise autonomy and eliminating the traditional role of branch ministries as lobbies on behalf of the enterprises they supervise, the number of such ministries has been reduced. Within the programme of a "reform of the centre", the top administration will no longer be allowed to directly interfere with the activities of enterprises other than making sure that state policy is implemented.¹⁷ Recognising the diversity of sectoral situations, there would be a move away from sectoral grouping of enterprises, but there would exist a variety of forms of associations, holding companies, etc. Central control would operate through indirect regulations, and the economic and legal conditions would be such as to create sufficient economic incentive for enterprises to respond to them.

17. For details on reform of the centre, see, Zygmunt Szeliga, "Reforming the Centre", *Contemporary Poland*, No. 10/1987.

c) *Increased role of market mechanism in restoring economic equilibrium* forms an overriding theme of the reforms. The ultimate goal is to achieve a market balance. There is a commitment to market-clearing prices, even accepting the pain of adjustment and unpredictable distributive impact of the benefits and costs of such a policy. With increasing elimination of subsidies, restructuring will indicate smaller proportion of national resources for the infrastructure sectors, coalmining and metallurgy. Mandatory wholesaling will be substantially reduced and rationing will be eliminated gradually. Direct regulation would however remain in such areas as R & D, and consumption norms for energy and material use.

Underlying the reform proposals is an apparent conviction that there will be no success of the reform without equilibrium, just as there will be no equilibrium without the reform. Conversely, there will be no positive impact of the reform and no equilibrium, without changing the structure of the economy. The objectives of the reforms are to be attained in following phases :

- By 1987, substantive change in functioning and organisational structure of the central economic administration and as a result opening of a range of new possibilities and entrepreneurship in various sectors of the economy;
- By 1988, concrete steps ahead towards balancing of the internal economy, expansion of the role of the market and notable acceleration of growth of supply along with expansion of foreign trade;
- By 1989, further progress towards economic equilibrium, concrete step ahead in normalization of the rate of exchange and regularisation of the payment systems;
- By 1990, achievement of internal economic equilibrium and controlling the price spiral to a level of 9% annually;
- By 1991, balancing of current account payments and preparation of the basis for reduction of external debt ; and

—In the subsequent years complete normalization of the payment situation enabling sustained economic growth and introduction of convertibility of the Polish currency in the world market.¹⁸

The official programme for realization has been also thematically designed under so-called '3 blocs of action' embracing fourteen schemes corresponding the time-frame mentioned above. The blocs are:

Bloc A : Balancing of the economy by stimulating the supply, through :

- i) developing the market, entrepreneurship and basic incentive system ;
- ii) technical and organizational progress, streamlining of the investment process and management of fixed assets;
- iii) development of export-oriented production and foreign co-operation ;
- iv) growth in agriculture and food sector;
- v) creating conditions for breakthrough in the housing construction and municipal management ; and
- vi) creating systemic conditions for the service sector.

Bloc B : Balancing the economy by strengthening the currency, restructuring prices and incomes and applying objective economic parameters, through :

- vii) restructuring price and income, strengthening currency and applying more realistic economic parameters;
- viii) streamlining the system of remuneration and social security as well as changing the labour law; and
- ix) developing the banking system.

Bloc C : Restructuring the system of management of national economy, through :

18. "The Second Stage of Economic Reform, Programme for Realization : Summary" (in Polish), *Trybuna Ludu*, Warsaw, 12 February 1988.

- x) restructuring the centre of economic management;
- xi) transformation in central planning;
- xii) development and consolidation of local self-government;
- xiii) strengthening the basis of economic and professional self-management;
- xiv) streamlining and improvement of the legal system and the system of control of economic activity.¹⁹

Political

The spirit of the proposals is liberal : "whatever is not prohibited, is allowed". And significantly enough, many of these have their political dimensions too. As underlined by Prime Minister Prof. Zbigniew Messner, changes in political life, consistent democratisation and increased self-government, authenticity of group and individual behaviour, reconstruction of the structures of the state determine at par with economic mechanisms, the essence of the reform and determine its success.²⁰ One underlying imperative for reforms in Poland appears to be a realisation that "people are the driving force of progress" and that all reform measures have to be accompanied by efforts at democratization of life so that the human potential is best developed on the basis of "what each person can do, can give of himself to the society, and not by that person's connections and access to coupons."²¹ There seems to be a further realisation that the reform measures in the ultimate analysis would depend on the social acceptability and continued support of the people.²² This is particularly important for a country like Poland where different political orientations and world outlooks interact. Socio-political divergences and contradictions in

19. *ibid.*, and "Programme for the Implementation of the Second Stage of the Economic Reform " *op. cit.*

20. Address to the Parliament on 10 October 1987, quoted in *Contemporary Poland*, No. 10/1987.

21. "Theses to the Second Stage of the Economic Reform", *op. cit.*, p. 20.

22. Prime Minister's address quoted in *Contemporary Poland*, No. 10/1987.

Poland centre not only structures of authority and anti-systemic opposition. "There is rivalry between various groups of interest, class factions, social layers for their share in the distribution of national income, for minimizing the consequences of the crisis, for shifting the burden on others".²³ In this context an acceptance of pluralism of the Polish society appears to be high on the agenda. Discussions, dialogue consultation, agreement are the most frequent definitions used today to mend the differences of opinion and divergences of interests.²⁴

The pressures and imperatives for the political reforms come mainly from the Patriotic Movement for National Rebirth (or PRON as it is known by its Polish acronym). Although it operates under the official umbrella and within the parameters of the socialist system, it claims commitment for consistent democratization of the Polish socio-political system. Such democratization is considered to be the precondition for establishing a renewed social order which will contribute to the cementing of differences among various social groups and to integrate the society around common national goals. The underlying proposition is that the new order is to be established not by virtue of an administrative order or an imposed agreement between the authority and the public but as an agreement between different social, and professional groups. Through minimisation of contradictions, and by-passing socio-political conflicts the proposed political reforms are expected to ensure continued support to the economic reform measures and universal participation in the development activities.

Proposal for political reform include series of new legislative initiatives including work on a new constitution, enactment of which is expected to be the final stage in democratic transformation of the socialist system in Poland.²⁵ Measures for reforming the election

23. Stanislaw Kwiatkowski, "Visions and Reality", *Contemporary Poland*, No. 12/1987.

24. *ibid.*

25. Jerzy Godula, "Polish Reforms in the PRON Eyes", *Contemporary Poland* No. 6/1987.

system, amending the law on associations, banning of retroactive applicability of law are other elements of the forthcoming political changes. The recently enacted law on social consultations and referendum are also claimed to be steps ahead in democratization of Polish socialism. The resolution of the second congress of the PRON also included a proposal for forming a second, self-rule chamber of the Polish Parliament made up of not only representations of enterprise self-managements but also local self-governments and representatives of the academia, trading and other professional groups.²⁶

The underlying theme of the political reforms is that the political system of Poland should get rid of everything that (i) limited the initiative and activities of the society and repeatedly exposed development process to cyclical crisis and ii) everything that caused inefficiency of the system in overcoming social contradictions and led to accumulation of those contradictions resulting in repeated conflicts. The proposed changes in political institutions are expected to increase the vitality of the socialist system by stimulating individual initiatives and overcoming contradictions.²⁷

Since the whole exercise is to be carried out within the framework of socialism, matters related to political reform are of course invariably linked with the role of the party. The emerging thinking on this problem seems to be based on three main considerations. Firstly, the central position of the party in the society does not imply a monopoly of power. On the contrary it is possible to imagine that working under rules of coalition groups and opinions which so far had no representation in the political system can also become a part of the power structure. Secondly, the role of the party, does not imply the position of an absolute ruler who sets laws but does not himself come under the law. The political system can be so devised as to make the functioning of the party liable to the law. Thirdly, the party can not be regarded as irresponsible to the rest of the society. It is possible to

26. *ibid.*

27. *ibid.*

create a mechanism which, while guaranteeing the influence of the party on the society would also guarantee the influence of society on the party.²⁸ The critical issue of course is the way the party itself adjusts in the forthcoming days to these changing concepts about the socialist system at work. Further reflections on these are deferred until the next section.

In the meantime, the reforms *per se*—both political and economic—appear to be elaborate and no doubt ambitious, and it is certainly difficult to assess their possible outcome at this stage, particularly because the whole gamut of propositions and actions is still in a process of evolution. What may be attempted is to place these into proper perspective, and one such effort follows here.

II. CONSTRAINTS ON REFORMS : DEEP-SEATED

Three interrelated elements figure prominently in Poland's current efforts²⁹ to overcome its crisis. Firstly, to increase the efficiency, incentives and responsiveness of the economic system; secondly, to bring about internal adjustments particularly for eliminating market shortages and increasing investment efficiency; and thirdly, to make substantial external adjustment.³⁰ The immediate impact of the reform on the economy was visibly positive. From the severe crisis of 1978-82, (when output fell by nearly a quarter, investment was halved, consumption fell by about 15 percent, debt problem became too severe to stand), the economy quickly picked up. In nearly all areas there have been considerable improvements, and although the overall economic situation remained fragile, the worst appeared to be over. The Net Material

28. "Goals of Political Reform" (Press Review), in *Contemporary Poland*, No. 1/1988.

29. The current so-called "Second Stage of the Reform" is viewed here essentially as a continuation and extension of the reform programme launched in 1982.

30. Taken from, World Bank, *Poland, Reform, Adjustment, and Growth*, *op. cit.* p. XI.

Product (the socialist parallel of GNP) rose by 5.6% in 1984.³¹ There have been significant improvements in the agricultural sector, the coal industry and manufacturing. The re-scheduling of external debt not only allowed for some external adjustment in the form of overall balance but also some growth in industry and manufacturing. There was evident growth in real income and marked reduction in inflation, although living standards and industrial output were still lower in 1985 than in 1978.³²

Soon however, the limits of immediate gains were visible. By mid-1986 there were signs that the process of reform adjustment were going to be bogged down. NMP grew in 1985 by 3% and by 1987 appeared to be settled down at the modest rate of 3.4%. Although the socialized industry sector performed slightly better than the plan target (3.7% compared to 3.3%), the major source of imbalance continued, as the performance of the agricultural sector was substantially lower than the target (0.9% compared to 2.2–2.5%).³³ Within the industry sector also, many of the important sub-sectors recorded notable shortfalls as shown in table 1.

Table 1 : Performance of Poland's Industry Sector in 1987 (Selected sub-sectors)

Sub-sector	Growth rate in %	
	Planned	Achieved
Mineral Extraction	4.1	1.5
Chemical Industry	6	5
Light Industry	4.9	2
Timber, Pulp and Paper	4.4	2
Food Processing	2.5	2
Metallurgy	-0.3	-1

Source : *Contemporary Poland*, No. 1/1988, p. 10

31. *The Economic and Business Report 1987*, World of Information, Essex, Second Edition, 1987, p. 160.

32. *ibid.*

33. *Trybuna Ludu* (in Polish), 29 January 1988.

The restructuring and modernisation of Poland's large-scale capital-intensive traditional industries remain slow and a highly complex process. Funds are in shortage and the rate of new investment is failing to match the depreciation of capital equipment and plant requirements. Investment is further constrained by long delays in the rate of project completion. In the construction industry sector, for example, the result in 1987 was 1 percent down on 1986 figures as against 3.6-4.6% of plan target.³⁴ Only 70% of all the projects scheduled for completion in 1987 were completed by the year's end.³⁵ The export performance was close to the plan target (4.7% growth compared to the target of 4.9%), but the gain was offset by increase in import at a rate much higher than the planned target (4.9% compared to 2.4%).³⁶ As a result although balance of trade rose from US \$ 1,080m. in 1986 to US \$ 1,300m. in 1987,³⁷ the overall payment situation continued to be a major concern.³⁸

The situation in the domestic market continued to be volatile. The nominal income rose by 27% in 1987 whereas cost of living index rose by 30% accompanied by continued fall in the supply of goods. As price-rise continues to be the most delicate spot in the Polish economy (the latest evidence being the November referendum which rejected the reform proposal mainly on the ground of price increase), there seems to be little option for the government. Although prices will now rise less steeply than proposed under the referendum package, the latest announced official price index for 1982 remains alarming for consumers. The price of basic consumer goods are to rise by an average rate of 40% (compared to proposed 110%) from February 1988. Postal rates would rise by 50%, telecommunications by 45%, petroleum by 60%, and railway fare by 50%.³⁹ On the other hand, in an effort to increase

34. *Contemporary Poland*, No. 1/1988, p. 11

35. *ibid.*

36. *Trybuna Ludu*, *op. cit.*

37. *Contemporary Poland*, No. 1/1988, p. 12

38. More on the payment and debt situation a little later.

39. *Sztandar Młodych* (in Polish), 01 February 1988.

exports the Polish zloty was devalued by about 19% against the US dollar in 1986 compared with 1985 and by 53% in 1987 relative to 1986. The currency by all indications remains overvalued despite seven official devaluations since 1982 (the base exchange rate of 31 zloties to a dollar in 1981 has fallen by August 1987 to 269.50 zloties),⁴⁰ and the authority's goal of full convertibility remains elusive. The end result of the inflationary pressures out of recurrent devaluations coupled with the official price-increases in the backdrop of continued distortions in the overall economic system remains to be seen. Much is yet to done to put the economy back into a sustainable and vigorous path. Meanwhile the reform-machine rolls on amidst a lot of constraints in-built in the Polish economy and polity. Focus of the paper is now turned into these.

a) Systemic Economic Malaise

The post-war development strategy of Poland followed the standard model of central planning. The emphasis was overwhelmingly on the building of heavy, capital-intensive and energy-using industrial structure. The process of industrialisation was essentially based on Soviet blueprints and equipments with very limited economic linkage with the Western countries. Efforts focused on promoting the country's industrial capacity through large investment in development of heavy industry, mining (particularly coal mining) and energy production and through a major transfer of labour from agriculture to urban-industrial centres. The result was that a war-ravaged economy was reconstructed rapidly and average annual growth of industrial product was a spectacular 12% in the 1950s and 8.5% in the 1960s,⁴¹ while material output increased six-fold between 1950 and 1980. Table 2 shows the impact of the strategy. In 1950 industry (including mining and energy) generated less than a fourth of the Polish Net National Income Produced (Net Material Product : NMP), whereas since

40. World Bank *Poland, Reform, Adjustment and Growth*, *op. cit.*

41. *ibid*, Vol II, p. 73.

Table 2 : Poland : Selected Data on Economic Development 1950-1986

Sl. Item No.	1946	1950	1960	1970	1975	1980	1986
1. Index of Net National Income Produced (NMP)* 1950=100	—	100	207	374	596	633	640
2. Index of National Income Distributed (NMP—exports +exports) 1950=100	—	100	212	373	645	639	618
3. Gross Investment as % of Sl. no. 2	—	20	24	27	36	20	18
4. Sectoral contribution to NMP							
Industry	22	24	34	44	48	51	48
Construction	4	8	10	12	14	10	11
Agriculture	70	60	34	23	15	13	13
5. Sectoral contribution to employment							
Industry	—	21	26	30	32	31	28
Construction	—	5	7	7	9	8	8
Agriculture	—	54	44	35	30	30	28
Transport, Commu- nication & Trade	—	10	12	13	14	14	14

Source : *Poland : Reform, Adjustment and Growth, A World Bank Country Study*, Volume I, Table 1. 1, and Volume II, Table 1.

*As with other East European countries, Polish national accounts are normally calculated using the Material Product System (MPS), rather than System of National Accounts (SNA). The major difference between the two is that the MPS excludes housing, educational, health, and cultural services, public administration, defence, finance and insurance, etc.

1975 the sector has provided about half of Poland's NMP. Contribution of the industry sector increased from about a fifth in 1950 to roughly one-third of the total employment since 1970s. The 'extensive' thrust (as distinct from intensive) of the strategy was manifest in the fact that some 91% of this employment is in the socialized sector (i.e., state enterprises and cooperatives) and is sharply concentrated in large enterprises. Enterprises employing over 1000 workers account for 67.2% of industrial employment and 67.8% of industrial output.⁴² As an outcome of the overwhelming emphasis on industrialisation Poland did comparatively well particularly in the 1950s in raising living standards. The picture however soon changed : while the economy continued to grow at a steady annual rate of 6 percent well into the sixties, the real income of the people rose so slowly that by 1970 Poland found itself worse off than any of its neighbours with regard to the index of real wages.⁴³

Distortions soon became pervasive. Rapid urbanization took place at the cost of the rural and farming sector. Urban population rose from 9.1 million in 1950 to 22.7 million in 1986, while the number of people in rural areas have declined from 15.7 million to 14.9 million during the same period.⁴⁴ The agriculture sector experienced deliberate discrimination. Immediately after the World War II Poland instituted a land reform under which maximum size of land holdings was set at 100 hectares in the western and 50 hectares in the central and eastern parts of the country. After the consolidation of the new socialist regime, an abortive attempt was made to collectivise all of agriculture. It was strongly resisted by the peasant farmers and was short-lived and largely reversed after 1956, and today more than three-fourths of the

42. *ibid*, Vol. I, p. 3.

43. Index of real income in Poland in 1970 was merely 119 (compared to 1960 = 100) whereas that in Rumania was 146, Bulgaria 143, East Germany 137, Hungary 129 and Czechoslovakia 127. See Włodzimierz Brus, "Economics and Politics : The Fatal Link", in Abraham Brumberg (ed.) *Poland : Genesis of a Revolution*, *op. cit.*, p. 29

44. *Poland. Reform Adjustment and Growth*, *op. cit.* Vol. I, p. 4.

agriculture is in the private hands (see table 3). While the policy toward private agriculture has been largely erratic (if not revengeful) several notable steps have been taken to redress the imbalances. A policy of income equality between the farm and non-farm sectors is under implementation through budgetary subsidies for farm inputs in combination with regulated procurement prices as well as gradual withdrawal of subsidisation of agricultural products, particularly food items. The fact remains nevertheless that contribution of agriculture of NMP had fallen from 70% in 1946 to 13% in 1986. Similarly, employment in agriculture shrunk from 54% in 1950 to 28% in 1986 (see table 2).

Table 3: Use of Agricultural Land by Farming Groups in Poland (1985)

Farming Group	Percentage of total land
1. Socialised Sector	23.4
of which :	
—State Farms	18.7
—Collective Farms	3.7
—Agricultural Circles (Cooperative organisations for extension services)	0.4
2. Private Sector	76.6

Source : *Poland : Reforms, Adjustment and Growth, op. cit.*, Vol. II, Table I-2.

More important is the fact that productivity is relatively low compared to other East European countries. Poland as such is second largest agricultural producer in Eastern Europe behind only the Soviet Union. It has not only the largest arable area among the Eastern bloc nations but also has the largest or second largest annual volume of output for nearly all major crops and grain. Poland was in fact once known as the bread-basket of Europe. Yet Poland ranks last in grain yields in oats, third in rye, fifth in potatoes, fourth in sugarbeet and third in rapeseed. (see table 4). Compared to selected West European countries and United

Table 4 : Crop Yields in Poland Compared with Other East European Countries, 1982-84 Average (kg/ha)

Crop	Bul- garia	Cechos- lovakia	GDR	Hun- gary	Poland	Roma- nia	Yugos- lavia
All Grain	4,181	4,400	4,127	5,032	2,777	3,627	4,043
– Wheat	3,756	4,798	4,959	4,686	3,331	2,906	3,531
– Rye	1,394	3,578	3,151	1,625	2,545	1,343	1,671
– Barley	4,061	4,144	4,357	3,489	3,087	3,432	2,490
– Oats	1,144	3,295	3,647	2,696	2,479	1,255	1,557
– Corn	5,396	4,986	2,875	6,165	4,109	4,348	4,820
Potatoes	10,623	18,463	16,446	16,500	15,869	18,456	9,324
Rapeseed	—	2,437	2,351	1,518	2,008	964	2,114
Sugarbeets	24,432	34,453	26,508	39,044	32,711	23,226	42,267

Source : *Poland : Reform Adjustments and Growth, op. cit.*,
Vol. II, Table No. I-13.

States, needless to mention, Poland's agricultural productivity lags considerably behind. The overall grain productivity during 1982-84 was about half the Western level. The same is true of potatoes while rapeseeds and sugarbeets yield comparison are slightly better.⁴⁵ The reason for the low yield offers something of a puzzle. Poland is widely acknowledged to have a strong agricultural science base with perhaps the best trained scientists in East Europe. Many were trained in the West and have close contact with international scientific community. Plant breeding is considerably advanced, while usage of modern inputs and mechanization is comparable, if not better. The climate of course is not too favourable and may in part be responsible, but should not be a severely limiting constraint. While Polish soil is generally light and can be productive with appropriate fertilizers,⁴⁶ it is not fully clear why productivity remained low. One major factor nevertheless has been

45. See for details, *ibid*, Vol. II, Table 1-14

46. *ibid* pp. 36-37

the government's deliberate policy of a sort of 'prolonged seize' on the private sector agriculture which was followed until recently with the belief that this will gradually make people realize that paths of development of agriculture on a private basis were virtually blocked.⁴⁷ This was certainly a source of disincentive for increased productivity in the private agriculture. The problem was compounded by discriminating policies against private agriculture designed particularly to effect its long term prospects such as investment, credits, supply of inputs (machinery, feed grain), and land.⁴⁸ On the other hand, as far as productivity in the socialised agriculture sector is concerned, it was affected by the continuing system of command planning and control on nearly every aspect of production including composition of input and output, wages and employment, and bonuses and incentives. Needless to stress, command planning probably does more harm in agriculture than anywhere else.

The economic consequences of the distortions discussed above can hardly be overstressed. It is also not difficult to explore the link of such consequences with the social and political discontents and turbulances throughout the post-war period. The most visible and intricate such link sprung from the inflationary pressures in the economy—both open and hidden—which have been the outcome of the failure of monetary policy to ensure market equilibrium. Pressures for price rises have become more pronounced and open since the Martial Law and subsequent reform measures. Compensatory measures for wage earners and savers have reduced, but not certainly tamed Poland's official inflation, not to speak of hidden and repressed inflation. And the pressures continue, so does social and political discontent. Thousands of workers in the largest steel mill of the country, Nowa Huta near Krakow resorted to strike in protest against the latest price-rise mentioned earlier. They demanded 50% pay-rise and increase in compensation for price-like. The government cautioned the protesting workers

47. Włodzimerz Brus, "Economics and Politics: The Fatal Link", in Abraham Brumberg, (ed.) *Poland: Genesis of a Revolution*, *op. cit.*, p. 30.

48. *ibid.* p. 35

against violating labour laws and claimed that the meeting of demands would mean serious deterioration of economic situation. (Reported by BBC World News, 1300 hours GMT, 27 April 1988). The strikes were spreading as the deadlock continued at this writing, and by all indications a balance between measures for market equilibrium and people's sentiments would be one of the most difficult things to be achieved in Poland.

b) The Fatal Link Between "Import-led" Strategy and External Debt

The problem of external debt is a relatively new phenomenon in Poland and is linked with an expansionist strategy of "import-led growth" which was literally superimposed on a sickening economic system in the 1970s. As a matter of fact Poland did not have any external debt upto 1970. The whole concept of widespread use of western credit grew as a reaction to the deficiencies of the system and out of the felt need for innovation and for bridging the technological gap with the West. Reasonably or not, hardly any remedy was perceived to be forthcoming from the Soviet bloc, although in many cases the pro-Western bias proved to be subjective and had caused serious drainage.⁴⁹ The idea seemed attractive and reasonable, more importantly simple: a massive injection of western technology would provide the necessary technological push, and credits would be paid off by exporting some of the expected increase in output. In the short run the policy appeared to have produced impressive dividends. Rates of growth of investment, labour productivity, wages and consumption—all reached levels unmatched since 1950. The NMP growth at an average rate of 10% per year from 1971-75 and the ratio of investment to NMP at 38% in 1975 from 32% in 1972 indeed outperformed the planned levels.⁵⁰ But things changed rapidly as absorptive capacity of

48. At least two such cases allegedly led to costly mistakes - in case of French buses Berliet against Hungarian Ikaruses and Massey-Ferguson tractors against a local solution with Czechoslovak cooperation. For details, see Włodzimierz Brus, "Economics and Politics : The Fatal Link" *op. cit.* p. 17.

50. *Poland : Reform, Adjustment, and Growth, op. cit.* Vol, I, p. 4.

the economy proved to be limited. Although exports in convertible currency rose from US \$ 1.3 billion in 1970 to US \$ 4.4 billion in 1975, imports rose from US \$ 1.2 billion to US \$ 7.4 billion over the same period.⁵¹ The growing trade deficit led to a rapid increase in external debt from US \$ 1 billion in 1970 to US \$ 8.4 billion in 1975 and US \$ 25.5 billion in 1981.⁵²

The imposition of Martial Law in 1981 had direct impact on the ledger of Poland's foreign debt. The Western official creditors suspended any talk for re-scheduling until July 1985. Restrictions on export guarantees were imposed by many creditors, while Poland had to suspend payments to its official creditors—both principal and interest. Interest arrears alone amounted to 21% of convertible currency exports in 1982, 20% in 1982 and 23% in 1984. The 1985 re-scheduling shifted nearly US \$ 11 billion of maturities into the 1990-95 period.⁵³ Despite this, and the subsequent re-schedulings and in spite of the virtual absence of significant new credit Poland has been devoting substantial proportion of her export earnings to debt service (See Table 5). Poland stopped paying the whole of annual debt service dues since 1981 when debt service paid as percentage of export of goods and non-factor services in convertible currency was 63%, whereas the amount due was 155%. Since then payment was limited to 26-43%. Poland's failure to meet her interest obligations which is currently over US \$ 1.6 billion per year, and resultant capitalization coupled with interest on late payments have led to further increase in accumulated external debt. With over US \$ 20 billion of debt to official creditors by the end of 1986 Poland became one of the largest debtors to the Paris Club (Egypt having a larger debt to the Paris Club). Commercial banks are emerging as increasingly important creditors to Poland (with about 25% of the total), as the former are

51. *ibid.*

52. Jerzy Urban, the official Spokesman of the Polish Government, quoted in *Trybuna Ludu*, 17 February 1988.

53. *Poland : Reform, Adjustment and Growth, op. cit.*, p. 16

Table 5, Poland's Convertible Currency Debt Indicators, 1978-87.
(Percentages)

Item	1978	1979	1980	1981	1982	1983	1984	1985	1986
Debt Service Due/ Export of G& NFS*	71.4	87.7	95.9	155.4	172.0	113.0	103.7	105.4	6.97
Debt Service Paid/ Export of G & NFS	71.4	87.7	95.9	63.5	43.2	37.4	26.8	43.8	28.7

Source : *Poland : Reform, Adjustment and Growth, op. cit.*, Table 1.7
*Goods and Non-factor Services.

participating in greater proportion in re-scheduling arrangements (See Table 6). According to official estimates, by the end of December 1987 Polish outstanding debt to Western countries reached US \$ 39.2 billion which is about 40% of NMP and about five times Poland's exports in convertible currencies.⁵⁴ Outlook for the next decade is obviously discouraging. According to World Bank estimates a projected maturity burden of US \$ 23.4 billion by 1990-96 will rise further as maturities falling due between 1986 and 1989 would require further

Table 6 : Direction of Poland's Outstanding Debt

Creditors/ Item	Debt outstanding end-1986 (US \$ million)	Percentage of total
1. Paris Club Creditors	20,470	63.70
2. Commercial Banks Participating in Re-scheduling agreements	8,027	24.97
3. CMEA	2,219	6.97
4. Commercial Credits	187	0.58
5. Others	1,233	3.84
Total	32,136	100.00

Source : *Poland : Reform, Adjustment and Growth, op. cit.*, Table 1.8.

54. Jerzy Urban, *op. cit.*

re-scheduling. And even if Poland achieves a current account surplus by 1990, it is most improbable that it could be large enough to make full amortization payments.⁵⁵

Poland was proffered with certain degree of light when it was re-admitted to the IMF in June 1987 after a period of strenuous negotiations. With a quota of SDR 680 million (US \$ 687 million),⁵⁶ the membership *per se* is certainly far from a solution to the country's economic, particularly debt problems. It has nevertheless opened up windows to certain long-term benefits. In addition to immediate source of new funds these include access to long-term World Bank loans for industrial and agricultural development. The IMF membership is also likely to strengthen Warsaw's bargaining position vis-a-vis creditors.

Aware of the political pressures and problems of IMF involvement in other debt-burdened countries and of the specific sensitivity of the Poles to the incidence of such pressures, Poland can however at the best be accepted to be cautiously optimistic about the IMF solution. The IMF conditions are by all indications likely to include further stringent cuts to state subsidies, price reforms and greater liberalisation. If too tough, such measures may generate new discontent, particularly among the trade unions. Possible benefits of IMF induced measures may certainly be hoped to be filtering down to common Poles who however may be too impatient to wait until then.

c) **Party, Privileges and Social Inequities—Pluralism and Continued Mistrust**

The leading role of the Communist Party in Poland as a socialist state has hardly ever been challenged, nor can the Party as such be held responsible for the evils. Problems have their roots on the other hand in the disillusionment with the social and moral effects of the widespread misappropriation of the central role of the party. Of all the unsavory and unpopular features of the communist system in Poland

55. *Poland : Reform, Adjustment, and Growth, op. cit.* p. 17

56. *The Europe Review, Economic and Business Report, op. cit.*, p. 161.

perhaps none aroused more hostility and outrage, or contributed more to the outburst of discontent than the existence of widespread social inequities, blatant disparities of income, social privileges and material well-being between the bulk of the population on the one hand and the ruling elite on the other.⁵⁷ One should hasten to add that inequities have been the combined output of the use of monopolised and uncontrolled power on the one hand and an *enrichissez-vous* approach adopted by the party, state and economic apparatus on the other. The ideological and moral degradation of uncontrolled power was combined with increased opportunities for corrupt practices due both to gross imbalances in the domestic markets and to the complex temptations of business dealings with the West. The state's desperate scramble for every piece of foreign currency and the resulting semilegal parallel circulation of Western money multiplied the opportunities for illicit gains.⁵⁸ Unlawful acquisition and misappropriation linked one way or other with party position have been essentially an extension of privileges for the latter. Inequities have been pervasive, covering nearly all possible parameters—social, economic and political.

A public opinion poll conducted by Centre for Public Opinion Surveys and Programmic studies in Warsaw concluded in 1981 that one of the sources of the crisis in confidence in the authorities was the acute sense of social injustice. Eighty-five percent of the respondents of the survey thought that social inequalities were 'great' or 'very great'; 86% considered differences in income 'flagrant'; 61% considered it unfair to link privileges to high positions and demanded a levelling of incomes as well as limits on access to deficit goods like apartments and cars, and to privileges like special stores, vacation houses, sanatoria and the like.⁵⁹ Indeed, the popular demand for

57. Aleksander Smolar, "The Rich and the Powerful," in Abraham Brumberg (ed.), *Poland: Genesis of a Revolution*, *op. cit.*, p. 42.

58. Włodzimierz Brus, "Economics and Politics" *op. cit.*, p. 40.

59. Jacek Kurczewski, "W Oczach Opinii Publicznej" (In the Eyes of Public Opinion), *Kultura* (Warsaw) March 1, 1981, quoted in Aleksander Smolar, "The Rich and the Powerful", *op. cit.*

elimination of illegitimate privileges has been a common feature in other previous Polish uprisings.⁶⁰

For most Poles three and a half decades of party monopoly and political misrule have contributed to economic and socio-political bankruptcy, and any real solution to Poland's problems would require not merely changes in economic policy, but a change in the relationship between political authority and civil community as well. Despite all the bitter experiences of socialist misrule there is little evidence to doubt that Poles accept the authority of the working class, peasants and all other categories of working people. That authority however, must be wielded democratically, with free elections to representative bodies, with respect for the law and for democratic freedoms. Poland accepts the leading role of the Communist Party, but rejects the dictatorship of the mono-party.⁶¹ The first effective signal, officially acknowledged or not, came of course from Solidarity and the historic Gdansk Agreement of 31 August 1980 under which the Party could no longer claim to be the *sole* representative of the working class. With the recognition (and subsequent registration) of Solidarity as an independent trade union, the Party-sponsored trade unions lost their monopoly position, and now had to compete for the membership of the workers.⁶² It may be mentioned that although Solidarity advocated pluralism, it never challenged the leading role of the Communist Party. The Solidarity was however subsequently outlawed and the Gdansk Agreement effectively annulled. Solidarity was basically a nonviolent movement with strikes as the main instrument of struggle.⁶³ Most of the 21-point demands of the Solidarity were of specific

60. See for details, Roman Laba, "Worker Roots of Solidarity", *op. cit.*

61. Andrzej Szczypiorski, *The Polish Ordeal : The View from Within*, Croom Helm, London & Canberra, 1982, p. 139.

62. Nicholas. G. Andrews, *Poland 1980-81, Solidarity Versus the Party*, Washington, 1985, p. 37.

63. Analysts have drawn parallels between the ideals of Gandhi and those of Solidarity. See for details, Jan Zielonka, "Strengths and Weaknesses of Non-violent Action, The Polish Case", *Orbis*, Spring 1986 pp. 91-110

and goal-oriented nature. These included the establishment of the new independent trade unions with the right to strike and release of political prisoners. Economic welfare demands were formulated more concretely while some demands were symbolic and of socio-cultural nature.⁶⁴

Without entering into a discussion of the Solidarity itself⁶⁵ it is possible to observe that programmes of 'political pluralism' and 'democratisation of socialism' of the present Warsaw Government, despite differences in methodology and content, owe their origin to a great extent to the signals that emerged from the Solidarity movement. Whether or how these are going to be implemented remains to be seen in the future. A number of observations appear to be pertinent at the present stage.

As already indicated in the earlier section the proposed political reforms appear commendable. The government has made a number of commitments and concessions. The government is prepared, *inter alia*, to make local elections more competitive and more open to non-members of the Communist Party. Rules governing the formation of private clubs are also to be relaxed. A party document also called for the creation of new associations where "differing interests, outlooks and opinions should be openly expressed."⁶⁶ Despite gestures of these nature certain degree of mistrust prevail in the Polish society. Promises

64. Quite a good number of literature has emerged on the rise and fall of Solidarity and various dimensions of the movement and events in Poland in 1980-1981. See for example, Nicholas G. Andrews, *op. cit.*, Abraham Brumberg *op. cit.*, Andrzej Szczypiorski, *op. cit.*, Roman Laba, *op. cit.*

65. Solidarity activists attribute three main reasons for the failure of the movement : a) the government's policy of violence and intimidation, b) organisational shortcomings basically caused by legal restrictions and c) general apathy of the people caused mainly by the defeat of December 1981 and preoccupation with everyday economic problems. See statement of Regional Solidarity commission, quoted in Jan Zielonka, *op. cit.*, p. 105.

66. *The Newsweek*, 19 October 1987

of greater freedom are doubted not merely because no mention is made of legalising Solidarity or opening a dialogue with independent opposition, but also because of the continued attack on Solidarity and political opposition which are pursued in all fronts. Arrest of workers for enlisting support for Solidarity continues.⁶⁷ There have certainly been welcome release of a large number of prisoners. In view of what General Jaruzelski described as the "widening agreement and the strengthening of peace and order", allowing the government to "pardon and soften the punishment of perpetrators of offences against the state and social order" the Parliament approved in July 1986 a bill on "Special Procedure Towards Perpetrators of Some Offences". Preliminary estimates indicated that some 15,000 people would have been freed under the act by mid-September, and a further 5,000 would avail themselves of its provisions later on.⁶⁸ The act would not cover, it may be noted, "perpetrators of high treason, conspiracy against People's Poland, espionage, sabotage and activity detrimental to the publicly owned economy"⁶⁹ Needless to mention, these are so widely interpretable terms that there still remains a lot of scope for skepticism. One might note for example, that Jerzy Urban, the government spokesman recently accused the outlawed Solidarity of trying "to bring terrorism to Poland as a method of political struggle."⁷⁰ The Amnesty International continued to receive reports of people being arrested and detained for attempting to exercise their right to non-violent freedom of expression. There were also allegations that some political prisoners were ill-treated and others were denied the right to choose their own legal representatives.⁷¹

What the government is trying to do in gaining the confidence of the people is to take a strategy of "carrot and stick." General Jaruzelski made it clear by saying that the party had been "invariably

67. *ibid.*

68. *Keesing's Contemporary Archives, Record of World Events*, Longman, Volume XXXII, 1986 No. 10, p. 34687.

69. *ibid.*

70. *The Newsweek*, 14 October 1987.

71. *Amnesty International Report 1987*, London, 1987, pp. 305-308.

guided by the conviction that one had to see an essential difference between the extreme and its inspirers and leaders and the millions of honest people who most often unwittingly, were involved in the dangerous game."⁷² The scepticism and mistrust can very well not be without reason, particularly in the backdrop of the lesson of the history of Polish reforms in the past which has been interestingly cyclical. An outburst of dissatisfaction is followed by a short period of relative freedom of speech, reorganisation of the party and administration, certain degree of decentralisation and other liberalist measures, only to be superseded soon by a period when these are gradually replaced by subsequent expansion of bureaucratic control.⁷³ The way the Gdansk Agreement was annulled provides the testimony to such cyclical movement. There are by now suggestions that all the 1980 government-Solidarity negotiations (including the Gdansk Accord) were a sham cynically entered into to lull workers and ordinary Poles into believing that the government and the ruling Communist Party genuinely intended to bring about a new state of affairs in Poland.⁷⁴

One important dimension of the whole problem is that without an understanding between the authorities and the people it is difficult to really implement any reform programme. The result of the referendum is an ample testimony to the gap in confidence and trust between the government and people. The package of economic and political reform proposal was put to national referendum. The aim was to win the people's consent to the bitter medicine that went with the programme—stiff price increases on food, housing and fuel—while the accompanying political reform would broaden the scope of democratization, citizen's rights and their participation in governing the

72. *Keesing's Contemporary Archives, Record of World Events, op. cit.*, p. 34683.

73. Pawel Spiewak, "Polish Reformer: A Long Way to Go", *Orbis*, Fall, 1981, p. 665.

74. Interview of Col. Ryshard Kuklinski, a former Polish Army insider in charge of top army planning with *Kultura*, a French-based Polish Language monthly published in March 1987. Quoted in *Newsweek*, 22 April, 1987. The colonel has been sentenced to death in-absentia.

country. The result was practically negative since as against the requirement of endorsement more than half of the eligible voters only 44.28% voted for the economic and 45.29% favoured the political reform proposal.⁷⁵

The result of the referendum has certainly undermined the credibility of the government. Lech Walesa called the outcome a 'cold shower' for the government.⁷⁶ The fact that this was a demonstration of the people's distrust of the government is further testified by the fact that the package was in many ways similar to those demanded by Solidarity itself. But because of a communication gap most Poles suspected that they were really being asked to give the government a blank-check. It seems that distrust had its roots also in the government's failure to convince the people that what was required for Poland was radical, sometimes even painful reform.

d) The State and the Church : Troubled Coexistence

One other significant area where distrust continues rather conspicuously, and where the government appears to have adopted a carrot and stick policy, is the State-Church relationship. Traditionally, the Church has been highly influential in Poland where upto 95% of the people are Catholics and about 80% practice their religion regularly.⁷⁷ Indeed, Poland is the only communist country with a dynamic Roman Catholic Church, a Church that now has more clergy than before the War, and is probably the only one in the world where religious vocations outgrow the number of places available in the seminaries.⁷⁸ Political and religious thought have almost uniquely merged in Poles with a crucial impact on their identity, nationhood and value system. The traumatic experience of Poland's national existence has greatly intensified the influence of the Church often playing the role of a

75. *Beijing Review*, December 14-20, 1987.

76. *Newsweek*, December 14, 1987.

77. Arthur R. Rachwald, "The Polish Road to the Abyss", *Current History*, November 1987.

78. M.K. Dziekanowski, *Poland in the 20th Century*, *op. cit.*, p. ix.

surrogate for the state and nation; and it is possible to imagine that Poland's continued struggle for survival followed by the recurrent waves of crises during the post-War period have delayed the secularization that should have taken place in Poland in the wake of its industrialization.

State-Church relation in socialist Poland has followed a unique pattern of troubled co-existence. Since 1950, when the Church signed a treaty with the communist government, it has gradually augmented its position as the only indigenous and independent social organisation often providing the platform for upholding the socio-political sentiments and aspirations of the people. The Church was also the only organized power in Poland whose opinions and influence the authorities had often to contend with—all the more in times of crises when the authority of the Church or the Cardinal was needed to restore social calm.⁷⁹

The election of Karol Wojtyla as the Pope and his three subsequent visits to Poland during which millions of Poles participated spontaneously in his sermons provided a turning point in the State-Church relationship. The social significance of the visits were profound. They not merely demonstrated the Poles' deep attachment to the Church and the Pope, but also convinced the authority of the futility of an anti-church and anti-religion policy.⁸⁰ Pope's visits had more than symbolic value and had clear political impact on the people and the authority. The Pontiff endorsed Solidarity and the right of all working people to organize a free and independent trade union.⁸¹ "Poland would never find internal peace", the Pope said, "without a full respect for the differences that occur among the people. That is Solidarity, that is pluralism."⁸² Earlier, during Jaruzelski's audience with Pope

79. Pawel Spiewak, "The Polish Reformer: A Long Way to Go", *Orbis*, Fall, 1981, p. 663.

80. *ibid*, p. 669.

81. Arthur R. Rachwald, "The Polish Road to the Abyss", *op. cit.*

82. *The Washington Post*, June 12, 1987 quoted in *ibid*.

at the Vatican (during his official visit to Italy on 12-14 January 1987), the Pontiff reportedly told the Polish leader that there should be more "dialogue" in Poland.⁸³

Pope's advice was too important to be left unheeded by Jaruzelski and in a bid to demonstrate pragmatism he adopted a more liberal stance toward the Church. "In the feelings of many millions of Poles", he said in his farewell speech on occasion of Pope's June 1987 visit, "religion, faith co-exist with attachment to social values of socialism. On the common ground of supreme interest of the homeland it is possible and necessary to reconcile all the diverse, honest motivations. This is a measure of patriotic maturity. Guided by this idea we maintain the historical offer of permanent shaping of constructive relations between the socialist state and the Roman Catholic Church."⁸⁴ Earlier, on 29 June, 1986 delivering his report on the occasion of the 10th Party Congress he welcomed what he described as the growing participation by the Roman Catholic Church representatives in the organs of state authority.⁸⁵

The gap in perception between the State and Church, however, remained as he regretted the "anti-socialist criticism articulated by some priests."⁸⁶ The perceptual gap was further demonstrated when talking about State-Church relation, which he termed as a "very sensitive and complicated field", he said "disagreements or even conflicts between Church and State are age-old.....they have been one aspect of a broader class and social conflict."⁸⁷ On the other hand, following Jaruzelski's Vatican visit which was described by Pope as historic, one Vatican official commented, "the two men probably understand

83. *The Newsweek*, 26 January 1987.

84. "Farewell Speeches", published in *Polish Perspectives* (Warsaw, Vol. XXX, 1987) p. 18.

85. *Keesings Contemporary Archives*, Volume XXXII., *op. cit.*, p. 34684

86. *ibid*

87. "Only Facts Count", an interview with Wojciech Jaruzelski by Zrnka Novak, a Yugoslav journalist, published in *Polish Perspectives*, Vol. XXX, p. 7.

each other better now, but the differences remain."⁸⁸ For his part, Jaruzelski indicated his carrot and stick strategy when at the mentioned farewell speech he indicated to Pope the need to leave Poland's problems basically insulated from the influence of the Church. He said, "Your Holiness will shortly bid farewell to the homeland. You will take with you her image in the heart, but you cannot take with you her real problems. The nation remains here.....It has to cope with the challenges on its own."⁸⁹ Referring to State-Church relations in general, the General said, "the basic question is the ability of the Church to dovetail itself into a socialist scheme of things."⁹⁰ For a careful observer, however, the question seems to be the ability of both the State and Church to dovetail themselves into a Polish way of things represented by the sentiments and aspirations of the Poles.

III

CONCLUDING NOTE

The conclusions of this paper are simple and obvious. Poland has made significant strides in reforming its politico-economic system. The on-going reform project, in terms of its compulsions, content and direction, is inseparably linked with Poland's historical experiences, particularly from four decades of socialism in practice. The recurrent rounds of crises, clearly manifesting the widening gap between the authority and the people and their cyclical order—frustration followed by protests and uprisings followed by promises of reform to be only swayed by reversals followed again by frustration—may not be the function solely of the socialist system *per se*. The systemic weaknesses coupled with years of misrule by the communist party have confronted with the indomitable Polish national psyche to create an in-built socio-politico-economic cleavage. The major substantive difference of the present phase of reforms is the frank and formal recognition of the mistakes of the past and a clearly pragmatic approach in facing the problems. The reform proposals are elaborate and goal-oriented, and may indeed turn out to mark a watershed in Polish history.

88. *The Newsweek*, 26 January 1987.

89. *Farewell Speeches*, *op. cit.*

90. *Only Facts Count*, *op. cit.*

Great deal of improvements have been already achieved, visible in nearly every aspect of life. But, there is a lot more way to go. As underlined by Prime Minister Prof. Messner, "reform is a process and not a single-stroke act ; it doesn't replace, but creates conditions for human activeness. Reform mechanism does not start functioning with a new-year's time signal. What is required is determination and devoted work."⁹¹ The constraints, most evidently and agreeably, are enormous, so of course, are also the opportunities. Changes will not come overnight nor can the present package be regarded as the ultimate panacea. There is little doubt that as the process goes on, the reform proposals would be further reformed and adopted to changing circumstances. On the economic front, if the programmes including decentralization, enterprise autonomy and self-management, inter and intra-sectoral competition are consistently and sincerely implemented, they should have a lasting impact on the improvement of economic efficiency, international competitiveness and attendant sustained growth of the Polish economy.

Needless to mention, substitution of one set of rules and regulations by another may help gradual nibbling of the edges of deepseated constraints and contradictions. Total change of habits of mind and behavioural pattern of production and administrative units as well as Party machinery and individuals would depend not merely on determined and steady implementation of the new programme but also on a sustained demonstration of the commitment and shared political will in favour of the change well beyond the scope of a policy of 'carrot and stick'. The crucial factor here appears to be whether and how far the authority would be successful in bridging the perceptual gap and in building confidence in its favour among the populace. The proposed 'pluralism' and 'democratisation' appear to be well-conceived, but need to be further crystalized and given concrete shape. It should be through a process of continuous dialogue and open popular debates rather than administrative imposition—a lesson drawn from Poland's unique history—that any further reversal can be avoided.

91. Statement of Prime Minister Zbigniew Messner at the Plenary Session of the Polish Parliament, published in *Rzeczpospolita* (in Polish), Warsaw, 11 February 1988.