

Poland in 1989: Enter Tadeusz Mazowiecki and the Creation of the Balcerowicz Plan

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Abstract

This Article summarizes the main points of the economic and political transformation that occurred in Poland in 1989 which resulted in the rise to power of the first democratically elected government (Solidarity) in Central and Eastern Europe since the imposition of Communism after World War II. The article marks the 20th Anniversary of the momentous events of 1989 which installed Tadeusz Mazowiecki as Prime Minister and Leszek Balcerowicz as Minister of Finance in the last gasp of Communism in Poland.

Keywords: Poland, economic transformation, central planning, nomenklatura

1. Introduction¹

A major dysfunction in “People’s Poland” was the system itself. *A centrally planned economy* has been variously called a *command-and-control* economy, *the command-rationing mechanism (CRM)*, or the *monocentric* system. A centrally planned economy is a system in which the factors of production (land, labor, capital, and entrepreneurial/managerial ability) are owned or tightly controlled by the state. The government and “central planners” make all, or nearly all, economic decisions. Central planning agencies and the political and economic bureaucracy involved in the planning process set detailed production goals for each segment of the economy, determine inputs, and fix prices. Although central planning was not necessarily the creation of the Soviet Union and had been refined and practiced both in France and several northern European nations, it became the *modus vivendi* of Stalinism after World War II. The ostensible purpose of central planning was, of course, to achieve a wide range of laudable political, economic, and social objectives, as determined by state central planners. The system also removed decision-making from front-line management and placed it in the hands of central bureaucrats.² The generic term for the bureaucracy in centrally planned economy is the *nomenklatura*.³

¹ See Richard J. Hunter, Jr. & Leo V. Ryan, C.S.V, “The Ten Most Important Economic and Political Events Since the Onset of the Transition in Post-Communist Poland,” *The Polish Review*, pp. 183-216, Parts 1-3, pp. 183-196.

² For a definitive description of the system of central planning, see Janos Kornai, *The Socialist System: The Political Economy of Communism* (1992). As early as 1960, the Polish economist and diplomat Oskar Lange had written of a “new economic calculus” where decentralization in planning and management of the economy was both vital and necessary. Lange had argued that the Stalinist scheme was not suited to a “mechanical translation” to Poland, and that prices, for example, should be fixed on the basis of a “market mechanism,” linking state planning to market forces. See Richard J. Hunter, Jr. & Leo V. Ryan, *From Autarchy to Market: Polish Economics and Politics 1945-1995*, pp. 23-24 (1998). See also Oskar Lange, *Funkcjonowanie gospodarki socjalistycznej* [The Functioning of the Socialist Economy] (1960). For a spirited criticism of Lange, however, see John Montias, *Central Planning in Poland*, p. 267 (1962).

The Soviet-inspired system of central planning had been imposed on Poland and other nations throughout the region of Central and Eastern Europe as a result of the decisions taken at the Yalta and Potsdam Conferences, which had placed the region within the Soviet “sphere of influence.” It might be argued that central planning had enjoyed what may be termed as “limited success” in both Hungary in the period 1950-1953 and in Yugoslavia after it broke with the Soviet Union. However, the system of central planning collapsed first in Poland in the period 1988-1989, and later, throughout the region, although a variety of individualized factors and reasons that played out in different nations. The *nomenklatura* system had developed into a highly centralized administrative structure — not only for national economic and political organs, but also for intermediary organizations, whereby smaller enterprises operated only as a part of a huge centrally organized bureaucracy.⁴ (The other key players in the tripartite structure typically were the State or government apparatus and the Communist Party). By the late 1980s, not only in Poland but also throughout the region of East-Central Europe, the system had virtually elapsed into a “lunatic collage of incompetence, privilege, pandering and outright corruption,” based on a “principle of under-qualification and a ‘perverted practice’ of negative selection.”⁵ The demise of the system of central planning began in Poland as the economic situation plummeted from crisis to crisis and a wave of strikes once again paralyzed Poland in the winter of 1988-1989. This stalemate that gripped Poland was the context of the burgeoning crisis of 1989. The situation was also aided by the changes that had occurred in the Soviet Union that resulted in the coming to power in the 1980s of a new breed of Soviet leadership that had replaced the Stalinist “Old Guard,” personified by Mikhail Gorbachev, who instituted both *Glasnost* and *Perestroika* as reform policies and a fundamental reordering of Soviet economic and political life. Why did the system so utterly collapse? The answer to this question lies in an analysis and recognition of the “**four grand failures**” of the CRM which were exhibited both in Poland and in many nations in the region⁶:

1. Failure to create economic value or to improve the standard of living for the average Pole;
2. Failure to provide adequate individual and organizational incentives;
3. Failure to “measure up” to comparative economies, not only those advanced capitalist economies in the West, but also several “fraternal” socialist economies in Central and

³ For an interesting “inside” description of the *nomenklatura* system, see Milovan Djilas, *The New Class* (1957). Djilas is credited with coining the term “New Class” as a description of the political and economic bureaucracy. The term “*apparatchik*” usually referred to party members. The term most often used in China to describe the “ruling class” is *oligarchy*.

⁴ For a discussion of the pre-transition period in Poland, see Richard J. Hunter, Jr., “A Management Perspective on Poland’s Economic Crisis and Recent Attempts at Reform,” *The Polish Review*, Vol. 31, pp. 299-313 (1986).

⁵ See Lawrence Weschler, *Solidarity: Poland in the Season of Its Passion*, p. 46 (1982). The role of the *nomenklatura* is still hotly debated in Polish society. A pattern was common in transition economies throughout the region. Not surprisingly, members of the *nomenklatura* almost immediately became active in private businesses and banks — especially as the prospects for advancing their bureaucratic careers in the “new system” appeared more limited. The particular type of privatization carried out by the *nomenklatura* in the early period has sometimes derisively been referred to as “spontaneous privatization,” but was in reality theft of public assets and property. For a discussion of the phenomenon of “spontaneous privatization,” see Richard J. Hunter & Leo V. Ryan, C.S.V., *From Autarchy to Market*, *supra* note 3, pp. 112-113 (1997). Directors and managers exercised their new authority to split up state companies or to spin off or divest units into limited liability companies or other new joint ventures. Skilled workers were often transferred to the new enterprises to the detriment of their former enterprises.

Members of the *nomenklatura* have greatly benefited politically and economically from popular discontent that is practically unavoidable during economic reforms started under very difficult economic conditions and circumstances. Members of the *nomenklatura* have been major “winners” in the transformation process. The issue of winners vs. losers in post-Communist Poland is discussed at length in Richard J. Hunter, Jr., Leo V. Ryan, C.S.V. & Andrew Hrechak, “Out of Communism to What? The Polish Economy and Solidarity in Perspective,” *The Polish Review*, Vol. 39, pp. 328-329, 334-335 (1994).

⁶ See Richard J. Hunter, Jr. & Leo V. Ryan, C.S.V., “Transition in the Polish Economy,” in *Developmental Entrepreneurship: Adversity, Risk, and Isolation*, p. 73 (Craig S. Galbraith & Curt H. Stiles eds., 2006).

Eastern Europe (most notably, Hungary and Czechoslovakia — later the Czech Republic — and Slovenia); and

4. Failure to satisfy basic consumer needs, essentially creating an unofficial dollarization of the Polish economy through the existence of a large, open, “semi-official,” and surprisingly efficient “black market,” and the existence of “dollar” stores and shops such as the ubiquitous PEWEX shops.

In February of 1989, negotiations between the government, the Polish Communist Party, the democratic opposition (composed largely of Solidarity activists), and the Roman Catholic Church convened in Warsaw to discuss the dire and rapidly deteriorating political and economic situation. At one time or another during the next month, four hundred fifty two individuals — literally the élite of Polish society, politics, economics, the Catholic laity, and members of the “opposition” — participated in what have come to be known as the “Roundtable Talks.” The formal talks transpired between February 6 and April 5, 1989.⁷ The meetings were co-chaired by Solidarity leader Lech Wałęsa and General Czesław Kiszczak, Minister of Internal Affairs in the Polish government. The talks took place within three working groups centering on the *economy, political reform, and trade union pluralism* — essentially, all dealing, in one way or another, with the precondition of the re-legalization of Solidarity. The most important decisions that emanated from the Roundtable Talks included:

- “Contract” elections to the lower house of the Polish Parliament or *Sejm* would be scheduled in which 60 percent of the seats were reserved for the Polish United Workers’ Party (PUWP) [Polska Zjednoczona Partia Robotnicza or PZPR], and two satellite or aligned parties, the United People’s [Peasants’] Party [Zjednoczone Stronnictwo Ludowe or ZSL], which represented the interests of the PZPR in rural areas, and the Democratic Party [Stronnictwo Demokratyczne or SD]; and five percent reserved for certain Catholic organizations. The remaining 35 percent of seats in the *Sejm* were subject to a “free vote” in the elections scheduled for June 4, 1989. The short pre-election period was expected to favor the entrenched Communist Party and their allies. To the astonishment of most observers, the Solidarity-led opposition won *all* of these “free vote seats.” The Communist Party suffered what could only be described as a “mortifying rebuke” when many of its most prominent leaders, including Prime Minister Mieczysław Rakowski, Interior Minister Czesław Kiszczak, Defense Minister Florian Siwicki, and official Trade Union representative Alfred Miodowicz, were forced into a humiliating second-round run-off in order to retain their parliamentary seats. Several decided not to undergo further humiliation.
- Creation of an upper-house or Senate [*Senat*] with 100 senators, all to be elected on the basis of majority vote. The opposition won all but one of these seats in the national elections — the one exception was the election of independent Senator Henryk Stokłosa, a millionaire later accused of official corruption.
- Creation of the office of President of Poland, to be elected by the *Sejm* and Senate for a six-year term. After being listed as the only “official candidate” for the office of President, Communist Party leader General Wojciech Jaruzelski became President on July 19, 1989 — however, by a majority of one vote. A little more than a year later, on September 19, 1990, Jaruzelski would bow to social pressure — and political reality — and would submit to the Speaker of the *Sejm* a draft constitution that shortened his term in office and introduced a popularly elected office of President.

⁷ The actual “Round Table” was comprised of 57 delegates from the government, the opposition Solidarity movement, and the Roman Catholic Church. The Catholic Church, *as an institution*, was not officially represented at the Round Table, in conformance with the “strategic position” announced by the Primate, Josef Cardinal Glemp. See Krzysztof Kosela, “The Polish Catholic Church and the Elections of 1989,” *Religion in Communist Lands*, Vol. 19, pp. 124-137 (1990).

2. The Creation of the Government of Prime Minister Tadeusz Mazowiecki

After the Communist Party and its allies surprisingly were unable to form a government following their rout in the June 4, 1989 elections, General Jaruzelski reluctantly turned to Tadeusz Mazowiecki to organize the government.

Mazowiecki was one of the founding members of Catholic Intelligentsia Club [in Polish, KIK], which had been established in 1957. In 1958, Mazowiecki had established *Więź*, a monthly periodical, and became its editor-in-chief. In 1961-72, he was a representative in the *Sejm* as a member of Catholic group, Znak. He led an open discussion of the student's march and protest, which had taken place in March 1968, following the Soviet Union's reaction to the performance of Adam Mickiewicz's *Dziady* or Forefathers' Eve in Warsaw.

After the 1970 worker protests in Gdańsk and elsewhere on the Baltic Coast, Mazowiecki was instrumental in forming a committee in order to identify those who were responsible for the bloodshed. In 1976, he joined the opposition after he was denied the opportunity to run for a seat in the parliament.

During the "Polish August" of 1980, Mazowiecki assumed leadership of the Board of Experts, which was organized in order to support the striking workers in Gdańsk. He initiated a public appeal signed by 64 intellectuals — scholars, scientists and cultural figures from around Poland — in support of the workers' demands. In 1981, he was appointed as the editor-in-chief of *Tygodnik Solidarność*, the union's weekly magazine. Upon the imposition of Martial Law by General Jaruzelski in 1981,⁸ Mazowiecki was arrested and imprisoned in Strzebielnik, then in Jaworz, and finally in Darłówek.

Mazowiecki was released as one of the last prisoners on December 23, 1982. In 1987, Mazowiecki had spent a year abroad studying opposition movements from around the world. Mazowiecki actively participated in the Polish Round Table talks as a close ally of Solidarity leader, Lech Wałęsa, and became one of the chief architects of the final agreement. When General Kiszczak failed to form a government during the summer of 1989, Mazowiecki met with Wałęsa on August 17, 1989. Wałęsa, who eschewed the position of Prime Minister himself, let it be known that Mazowiecki was Solidarity's choice for the position of Prime Minister. ["Your President, our Prime Minister."] The new government officially began its work on September 12, 1989, thus ending nearly forty-five years of Communist rule in Poland.

The Mazowiecki government carried out an effective program of political and economic reform. It changed Poland's political system, introduced a broad range of civic freedoms and individual rights, created political pluralism and a multi-party system, and while largely symbolic, changed the Polish state emblem and renamed Poland the "Polish Republic." In addition, on December 29, 1989, the Constitution was amended, removing the preamble which had guaranteed the preeminent or "leading" role of the Communist Party, and rewriting chapters on political and economic matters. The amended constitution provided for the legalization of free and independent trade unions and established the legal basis for private ownership of property. These changes provided the legal and constitutional framework for the economic transformation that would come to be known as the "Balcerowicz Plan."

Mazowiecki unsuccessfully, and perhaps in retrospect unwisely, challenged Lech Wałęsa in the Presidential election of 1990, a situation sometimes called "the war at the top." The Mazowiecki government resigned on November 26, 1990, the day after Mazowiecki lost the presidential election.

⁸ The phrase in Polish is *stan wojenny*, which translates as "the state of war." Martial law was declared on December 13, 1981, and was not officially ended until July 22, 1983. While there was no actual war at the time, the military government led by General of the Army Wojciech Jaruzelski and the Military Council of National Salvation [*Wojskowa Rada Ocalenia Narodowego*, WRON] usurped for itself powers normally reserved for wartime. A critically important, perhaps seminal, event occurred during the period immediately following the official lifting of Martial Law when agents of the state murdered Solidarity activist Fr. Jerzy Popiełuszko on October 19, 1984. Many believe that this event was the veritable "last straw" that broke the back of any hope of national reconciliation with dissident elements of Polish society and the government. See Kevin Ruane, *To Kill a Priest: The Murder of Father Popiełuszko and the Fall of Communism* (2004).

Mazowiecki had suffered a strong personal rebuke and failed to qualify for the second round. In a matter still of some controversy, as Prime Minister, Mazowiecki consistently preached a policy of reconciliation (“let bygones be bygones”)⁹ that refused to economically or politically punish even the most “egregious sinners” of Poland’s Communist past.¹⁰ As a result, many of these former élites, self-identified as reconstructed or “reformed Communists,” and members of the *nomenklatura*, assumed prominent roles in political, economic, and cultural spheres in the “new” system, causing a major “flash point” in contemporary Polish society.

3. The Creation and Implementation of the Balcerowicz Plan

As Leszek Balcerowicz assumed control of the Polish economy in the fall of 1989, the situation was one in crisis.¹¹ The country was engulfed in hyper-inflation, running at an annual rate of 639.6 percent. Foreign debt reached \$42.3 billion or an alarming 64.8 percent of Polish GDP; acute shortages were experienced in many segments of Polish society; and the economy literally verged on collapse. The public sector, mainly consisting of obsolete and poorly managed state-owned enterprises, sadly referred to as “Polish dinosaurs,”¹² dominated Polish industry. On the political side, the Polish Communist Party was “deeply divided, its ideology rejected” by the vast majority of Polish workers and ordinary citizens alike.¹³

Leszek Balcerowicz, the chief architect of “shock therapy” in Poland, was especially influenced by the theoretical underpinnings developed by Harvard economist Jeffrey Sachs and former International Monetary Fund economist David Lipton. Professor Sachs had been instrumental in the fundamental reform and restructuring of the Bolivian government starting in 1985. Balcerowicz identified certain *derivative traits* of the command-and-control economy that were in need of *immediate* reform.¹⁴ These included:

- Administrative *price fixing* by central authorities;
- *Isolation* of domestic producers from foreign markets;
- Excessive *regulation of imports* through licenses and import quotas;
- The tendency by central planners to engage in “*import substitution*,” often accomplished through rationing, queues, lines, and coupons;
- “*Soft budget constraint*” in which targets of planning were revised downward or inputs significantly increased in order to meet plan targets;
- The *lack of true commercial and financial institutions*;

⁹ See e.g., www.hooverdigest.org/001/ash.html (last visited Jan. 27, 2008) (describing the policy enunciated by former Prime Minister Mazowiecki in drawing a “thick line” between the “new Poland” and its Communist past). For a discussion of Solidarity’s role in the formation of the transformed Polish state in the early period, see Richard J. Hunter, Jr. & Andrew Hrechak, “Out of Communism to What? The Polish Economy and Solidarity in Perspective,” *The Polish Review*, Vol. 39, pp. 327-344 (1994).

¹⁰ Assets held by the Communist Party were quite a different matter! The Mazowiecki government agreed that over 95 percent of the fixed assets of the former Communist Party should be turned over to the state treasury. Issues concerning the assets of the PUWP were regulated by a law enacted in November 1990 that came into force on February 27, 1991.

¹¹ For a discussion of the generally deteriorating situation and the entry of Leszek Balcerowicz on the scene in 1989, see Richard J. Hunter, Jr., Leo V. Ryan, C.S.V. & Robert E. Shapiro, “Enter Leszek Balcerowicz,” *Poland: A Transitional Analysis*, pp. 17-21 (2003). This book looks at four aspects of the transformation process: membership in the European Union, foreign direct investment, international trade, and taxation.

¹² The term often used in Poland is *WOG*, the acronym for *Wielkie Organizacje Gospodarcze*.

¹³ Kazimierz Poznanski, “Economic Adjustment and Political Forces: Poland Since 1970,” *International Organization*, Vol. 40(2), p. 488 (1986).

¹⁴ Hunter & Ryan, *supra* note 6, at 77.

- *Monopolization* of the state sector due to extreme organizational concentration, the centralization of organizational rights, and the lack of foreign competition; and perhaps most importantly,
- The *lack of any motivation mechanisms* for either line managers or workers.

Early in the process, Balcerowicz decided on a strategy of transformation that would be based on two overriding considerations: *A market economy was preferred over a centrally planned economy and a private market economy was preferred over so-called “market socialism.”* The process of economic transformation in Poland is in itself quite instructive and has provided a more general model for other Central and Eastern European transition economies.

The program was based on five philosophical *pillars of economic transformation*: (1) **rapid transformation of the monocentric system of state central planning into a private functioning market economy**; (2) **liberalization of economic functions, especially in relation to foreign trade and foreign direct investment**; (3) **privatization of state-owned enterprises (SOEs)**; (4) **construction of an effective social safety net**; and (5) **mobilization of international financial assistance to support the process**.

In the process of economic transformation, Balcerowicz was aided by a well-prepared transition team consisting of both Polish nationals and so-called “Polonia” (émigré) specialists. The “Balcerowicz Team” consisted, among others, of Marek Dąbrowski, later deputy in the Ministry of Finance; Stefan Kawalec, first chief adviser, responsible for financial institutions; Janusz Sawicki, responsible for foreign debt negotiations; Andrzej Podsiadło, who oversaw state enterprises; and Grzegorz Wojtowicz, first deputy chairman of the Polish National Bank, and its chairman in 1991. All were graduates of the Faculty of Foreign Trade of the Central School of Planning and Statistics in Warsaw [in Polish, SGPiS], Poland’s premier school for state planning and for producing “policy experts.” Wojciech Misiąg and Ryszard Pazura were also deputies in the Ministry of Finance. In addition, the team included numerous *foreign advisers* — Jeffrey Sachs, David Lipton, Władysław Brzeski, Stanisław Gomulka, Jacek Rostowski, and Stanisław Welisz — and *Polish ones* — Karol Lutkowski, Andrzej Bratkowski, Antoni Kantecki, Adam Lipowski, Andrzej Parkola, and Andrzej Ochocki. Many of the foreign advisers were of Polish origin — so called *Polonia academics*.

Minister Balcerowicz was a Professor of Economics at the Warsaw Institute of Economics. Balcerowicz had graduated from the Faculty of Foreign Trade of the Central School of Planning and Statistics — now the Warsaw School of Economics. Between September 1972 and January 1974, Balcerowicz had studied business administration at St. John’s University in New York City, earning an MBA in 1974. In 1978, Balcerowicz presciently had established a “think tank” composed of ten young economists who would meet regularly to discuss and debate potential programs for economic reform. These informal meetings shaped the program of transformation adopted by the Mazowiecki government and subsequent Solidarity governments and greatly influenced all post-1989 Polish governments — both positively and negatively — in their policy assessments.¹⁵

Mirroring the *Balcerowicz-Sachs model*, Poland undertook the following concrete actions as the main components of its process of economic reform:

- Liberalizing prices from state control, opening up of the foreign trade régime, and formalizing and simplifying the requirements for new market entry;
- Stabilizing inflation, public finance, and foreign debt;
- Effecting changes in the economy leading to privatization of state property and to an increase in the nature and volume of international trade;
- Remodeling and upgrading the important social-safety net, most especially, the pension, education, social insurance, and unemployment systems;

¹⁵ For a discussion of the core transformation program from a “foreign” viewpoint, see Jeffrey Sachs, *Poland’s March to the Market Economy*, pp. 45-46 (1993). For a unique “insider” view of the process, see generally Leszek Balcerowicz, *Socialism, Capitalism, Transformation* (1992).

- Assuring eventual full convertibility of the Polish zloty;
- Gaining extensive external assistance of the International Monetary Fund (IMF), and the “London” (private commercial creditors) and “Paris” Clubs (public creditors);¹⁶ and
- Creating new market institutions, a commercial code, a revised tax code, private property rights,¹⁷ and a financial and capital market sector (perhaps, most importantly, the creation of a viable stock market¹⁸ and a properly functioning central bank¹⁹).

The Balcerowicz Plan was comprised of ten individual laws. The *Warsaw Voice* summarized its significant successes as follows: “They removed guarantees for the existence of all state-owned enterprises, banned the central bank from financing budget deficit(s) and issuing unlimited amounts of ‘empty’ money, lifted credit preferences for state-owned enterprises, introduced zloty convertibility on the internal market, and removed [the] state monopoly in foreign trade.”²⁰

Neither Balcerowicz nor his program of “shock therapy” has escaped significant criticism. The initial euphoria over political developments and successes turned into somber realism — and sometimes an acute frustration and bitterness — as attention began to focus on the practicalities of reforming and restructuring society in the post-Communist era. It is now recognized that reforms of the system of central planning were extremely complex, could not be preplanned or “socially engineered,” required dramatic and sustained actions, and involved extensive conversations and information-sharing with society-at-large. Forty-three percent of wage earners slid below the poverty line in the first half of 1992. Popular support for the program of shock therapy steadily declined from 45 percent in favor in October 1989 to less than 20 percent in 1991. Short-term “quick fix” solutions and endless rounds of

¹⁶ The *Paris Club* was comprised of nations that had financed Poland’s public debt. The *London Club* was comprised of private lenders, banks, and brokerage houses that had financed Poland’s debt as well. The *Paris Club* is composed of 19 permanent members and other *official creditors* who have participated in some official lending. At the start of the transformation process, Poland’s official *Paris Club* creditors included Germany (\$5.94 billion), France (\$3.63 billion), Austria (\$3.60 billion), the United States (\$3.46 billion), Canada (\$2.64 billion), the U.K. (\$1.65 billion), Italy (\$1.32 billion), and Japan (\$0.66 billion). Brazil, not a permanent member of the *Paris Club*, provided \$3.0 billion. Poland’s *Paris Club* debt was reduced by a minimum of 50 percent — France and the United States agreed to a 70 percent reduction. See www.clubdeparis.org (the official website of the *Paris Club*) (last visited Jan. 28, 2008).

Poland’s private or commercial *London Club* debt amounted to an additional \$13.2 billion in 1989. It was reduced by 45.2 percent, including a 37 percent reduction in interest and a 52 percent reduction in principal. Poland’s largest *London Club* creditors included Salomon Brothers Inc., BFG Bank, Commerz Bank, Swiss Bank Corp., Lloyd’s Bank, BNP, Standard Chartered PLC, Westdeutsche Landesbank, Societe Generale, Bank of America, and Dresdner Bank. Professors Bossak and Kalicki regard the agreement with the London Club as “the crowning achievement of not only long and sophisticated negotiations, but also the effect of consistent implementation of economic reforms in Poland and their high evaluation by the G-7, the Paris Club, the IMF, and the World Bank.” Jan W. Bossak & Krzysztof Kalicki, “Poland’s Agreement with the London Club,” in *Poland: International Economic Report*, p. 203 (Jan Bossak ed., 1994).

¹⁷ For a discussion of various legal aspects of the transformation process, see Richard J. Hunter, Jr., Leo V. Ryan, C.S.V. & Artur Nowak, “Legal Aspects of the Transformation Process in Poland: Business Association Forms,” *The Polish Review*, Vol. 40, pp. 387-407 (1995).

¹⁸ See www.gpw.com.pl (the official website of the Warsaw Stock Exchange (WSE), known in Poland as the *GPW* — the initials stand for the *Gięda Papierów Wartościowych*) (last visited January 10, 2008). As noted by Professors de la Rosa, Crawford, and Franz, the Polish Security Commission (PSC) was modeled on the U.S. Securities and Exchange Commission, while the WSE was modeled on the Paris Bourse. See Denise de la Rosa, Dean Crawford & Diana Franz, “Trading on the Warsaw Stock Exchange — From Reopening in 1991-2000,” *Journal of International Accounting, Auditing and Taxation*, Vol. 13, pp. 121-134 (2004). For a discussion of the PSC, see P. Buczek & Z. Grzedzinski, “The Last of the Wild Trade,” *Warsaw Voice*, July 28, 1991, p. 10. The *Polish Voice* reported: “Poland’s improving economic atmosphere is reflected on the stock market, which in 2004 went through a long-awaited bull market.” For a discussion of the early history of the WSE, see Leo V. Ryan, C.S.V., “The Tempestuous Warsaw Stock Market: 1991-1996,” in *International Business in the New Millennium*, Vol. III, pp. 687-706 (Khosrow Fatimi ed., 1997).

¹⁹ Jan Krzysztof Bielecki, former Prime Minister (1991) and now president of Bank Pekao SA, commented: “It is worth noting that the banking system in Poland emerged from practically nothing.” Interview with Michal Jeziorski, *Warsaw Voice*, Jan. 13, 2008, p. 28.

²⁰ *Warsaw Voice*, December 23-30, 2007, p. 6.

political squabbling seemed endemic. Raphael Shen, a professor of economics at the University of Detroit, commented: “During Poland’s first two and a half years of economic reform, industrial production plummeted, tax revenues fell below projections, unemployment rose, bankruptcies multiplied, and social discontent mounted — all contributing to the destabilization of Poland’s young democracy.”²¹

Society seemed to reach what has been described as the “barrier of social endurance.”²² A peripatetic Balcerowicz left, reentered, and then again abruptly left Solidarity-led governments and more recently served as President of the National Bank of Poland.²³ It is no surprise that Leszek Balcerowicz remains a polarizing figure although most Poles now recognize (sometimes quite grudgingly) that the reforms initiated under Leszek Balcerowicz were necessary and were largely successful in assuring the success of the transformation process.

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²¹ Raphael Shen, *Economic Reform in Poland and Czechoslovakia*, p. 216 (1993).

²² Professor Mieczysław Nasilowski, former member of the Council of Economic Advisors under Edward Gierek and a senior professor at the Central School of Planning and Statistics, now the Warsaw School of Economics, is credited with coining the term.

²³ For a discussion of the role of the National Bank of Poland and the leadership of Leszek Balcerowicz, see Richard J. Hunter, Jr. & Leo V. Ryan, C.S.V., “A Primer on the National Bank of Poland: A Central Institution in the Transformation Process,” *European Journal of Economics, Finance and Administrative Sciences*, Vol. 1 (on line) (2005).

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