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Lessons from the Polish way of transformation²

INTRODUCTION

Transformation of the economic system covers the whole of the sphere of regulation in the national economy. The last case is the transition to a new type of economic system – from a state-led economy to a market economy. Its specificity is the change in the logic of the operation of the entire economic system. This is due to the subordination of economic operators to the criterion of microeconomic effectiveness. Subordination of political and social criteria to microeconomic efficiency leads to destructive effects, which are based on subjective and productive restructuring and selection on the labor market. Versatile modernization, with generational delay, has covered all areas of human economic activity. Examples of this transformation are changes in Central and Eastern Europe since 1990.

The article highlights the main features of Polish transformation and identifies the mistakes made. According to the author, reminding them is intentional. Another wave of accelerated reforms to modify the logic of economic activity is being implemented from the end of 2015. They are also top-down, have a complex character, and their authors implement new law institutions with great haste. Therefore, a question about lessons from the past. According to the author of the article, procedural distance reduction can be a catalyst for problems in the area of social capital. It is also possible to see many other problems associated with the wrong dynamics of reforms, similar to those of the recent past. That is why it is worth recalling those from the past and extracting them from the past for the current reforms.

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A LITTLE OF THE HISTORY OF THE TRANSFORMATION

Countries of Central and Eastern Europe where the USSR forced a centrally planned economy after the World War II, and the USSR itself, attempted to implement a series of economic reforms. The first historic attempt to reform the centrally planned economies, which in fact was not planned and already from the beginning viewed as a temporary one, was the New Economic Policy (NEP) proposed in 1924 by Vladimir Lenin in Soviet Russia. A country that initiated a move away from systems with all economic decisions taken by the government was Yugoslavia, where, only after a 5-year experiment of a centrally planned economy and no market in 1950, the country decided for the introduction of the market reform programs aimed at market socialism, which was based on local state ownership and was called Complex Organisational Work Design [Fornalczyk, 1997].

Almost twenty years later some dramatic political events that took place in Hungary in 1956 led to the reforms of commanded economy consisting in the replacement of its tools: orders, bans, limits (they determined what and for whom to manufacture the goods, as well as the methods and quantity of production) by tools of regulatory economics, i.e. prices, interest rates, exchange rates and instruments of fiscal policy, which are regulated by the state. The actual implementation process took the form of continuous changes due to the fact that they were characterized by limited effectiveness. The reforms were carried out from 1968 to the late 80's when the appropriate political conditions for transformation to a market economy were created.

Another economic reform took place in Czechoslovakia in 1965. Because of the prevailing radical ideology in this country the attempts to introduce market socialism were broken off by the military intervention made in 1968 by the member states of the Warsaw Treaty Organization of Friendship, Cooperation, and Mutual Assistance. The fact that a country's "hands on" system is faced with formidable barriers drove other socialist countries to attempts to reform administrative management in the 80's. As early as in the 70's Poland formed 'large economic organizations (*Wielkie Organizacje Gospodarcze* – WOG), a system which was based on the experiment of originators and had the task of grouping together enterprises. It was supposed to simplify and therefore improve the processes of aggregating, processing and transmitting information in macroeconomic planning. The above mentioned reforms did not bring the expected results. It turned out to be impossible to modernize the real economics so that it could meet competition requirements. The modernization of technology and enterprise management remained reliant on a state's preferences, whereas technology, product and management innovations had to result from these preferences. Nevertheless, systems administered centrally turned out to be highly non-innovative, because they were devoid of market competition and economic responsibility for undertaken actions. The reforms did not eliminate inefficient tendering system concerning allocation

of resources in society as well as sources of discrepancies between consumers' needs and state guided objective mechanisms (fig. 1).

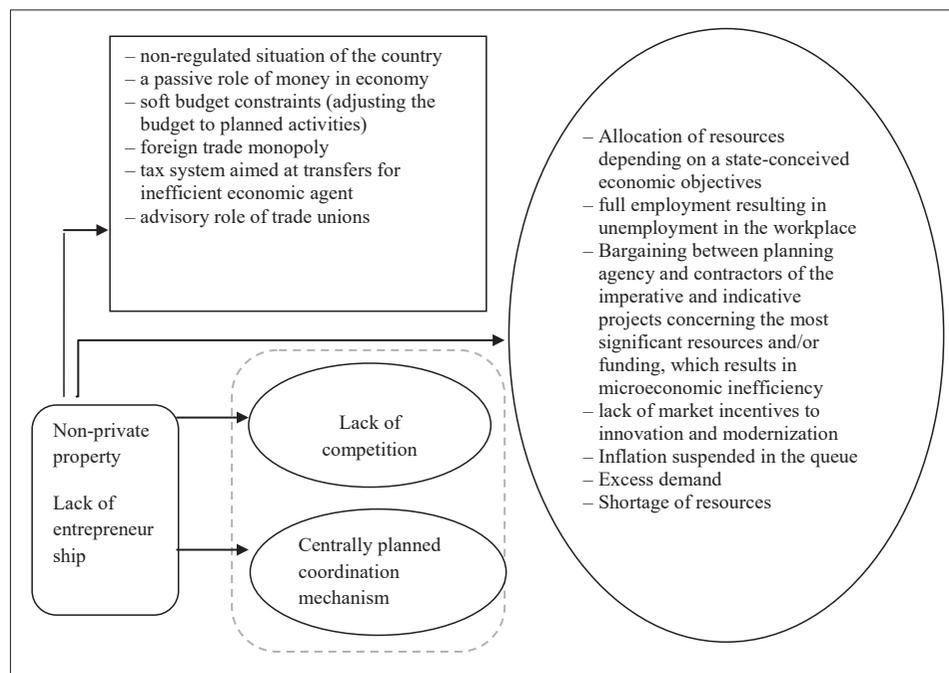


Fig. 1. Characteristics and effects of centrally planned economy

Source: own elaboration.

In order to eliminate the above mentioned discrepancies, under pressure from labour association convened by Solidarity Movement Poland was forced in the 80s to make an attempt to centralized the planning process and combine planning with market. Nevertheless, these efforts were interrupted by the martial law introduced on 13th December 1981, which resulted in limiting the governmental reforms to fragmentary substitution of administrative tools such as order and bans by financial tools of regulatory economic (prices, interest rates and instruments of fiscal policy established by a government) as well as restrictions and distribution.

An extensive discussion that revolved in the last decade around a third way provided evidence that non-private property, which is a fundamental characteristic of market socialism, does not enable functioning of efficient capital and labour markets, while the incomplete market nearly as efficient as the current capitalistic economy. Indeed, the autonomy of non-private enterprises would permit the exchange of goods and services. However, the capital market could not function in its full capacity due to restrictions concerning transferability of property rights and free entry barriers. Moreover, a strong position of trade unions

in such economic system together with collective and local ownership limit the freedom on the labour market. The fact that there occurred permanent problems with modernization of production resulting from the lack of innovative character of economic systems run by a central authority and macroeconomic inefficiency compensated by low wages, and problems concerning shortages of manufacturing resources and consumer goods proved that the only way to improve this situation was to introduce market economy that triggers mechanism of self-responsibility, which, in turn, could prevent increasingly common wastage of resources and give the incentive to adapt a more innovative approach enhancing competitiveness of enterprises and national economy (Fig. 2).

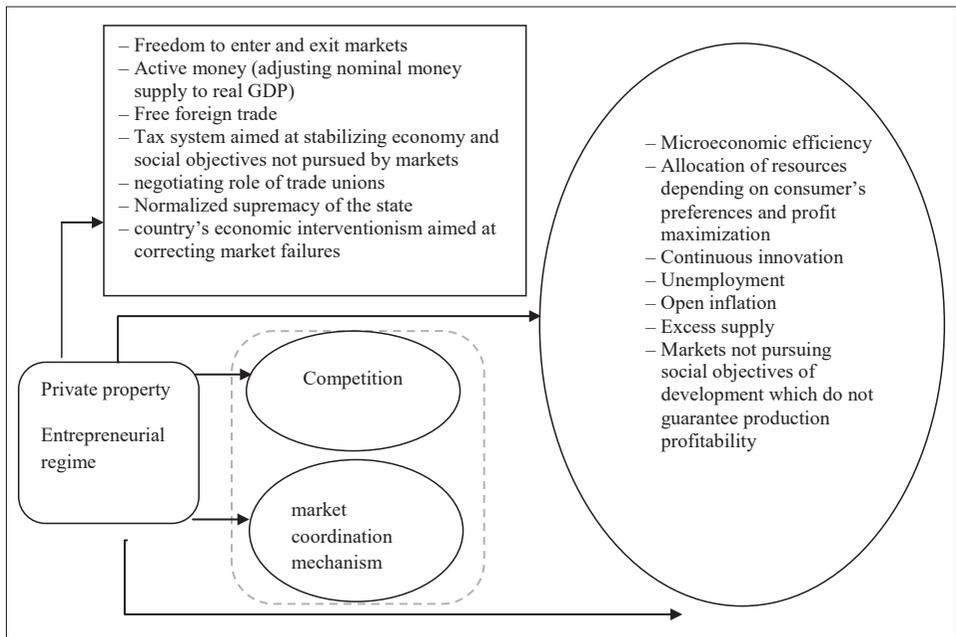


Fig. 2. Characteristics and effects of market oriented economies

Source: Own elaboration.

THE ROLE OF THE STATE IN THE TRANSITION TO A MARKET ECONOMY

Transformation in Poland in the form of transition from centrally planned economy to market based economy was initiated after Polish Round Table Agreement and subsequent partly democratic elections from the year 1989 as well as after passing on 31st December 1989 a set of laws on deregulation and liberalization. The fact that Poland regained freedom of developing its own economic system has resulted in acceleration of the demise of political systems in other socialist

countries in Europe, which began in autumn 1989. Nonetheless, the process of systemic transformation itself proceeded with a delay in these countries, except former East Germany, Hungary and Poland.

In order to create space for autonomous decisions taken by economic agents and to force these agents to take responsibility for consequences resulting from them, the transition to market oriented economy had been preceded with deregulation. As a result, institutions regulating and exercising executive authority over enterprises' size, structure as well production technology and its distribution were liquidated (Industry specific Ministry, Institution of economic planning, institutional and professional business unions). Then, business organizations themselves were commercialized, privatized and demonopolized. The process of deregulation enabled the grass-roots microeconomic reorganization of production and its modes, adjusted to requirements of the open markets. Enterprises which did not manage to adjust their activity to these new rules were subject to liquidation or bankruptcy proceedings. The above mentioned changes provided the essential space for the creation of vertical connections and group of institutions characteristic of market based economy. The legal norms were adjusted to the conditions of market economy, new ministries were created and new acts regulating 'constitutional' characteristics of the market economy were passed. Deregulation and reinstitutionalisation made it possible to create institutions of capital market, labour market, state treasury and foundations. Local state institutions have become independent.

Nonetheless, the role of a state in transition into market oriented economy was not only limited to deregulation. Limiting to deregulation could result in prolonging the process of creation of efficient markets due to the inertia of market participants and a significant share of non-private monopolies in the market. In order to minimize the impact of transformation on the society the government has taken some steps to initiate and facilitate the development of efficient markets. The aim was to introduce the changes comprehensively and as fast as possible and therefore they had the form of a shock therapy. The authors of the government systemic transformation program assumed that the extensiveness of the changes requires taking the following actions: stabilization, limitation of the macroeconomic control of the economy, reform of prices and markets, institutional reforms (of central offices of economic administration, enterprises and their privatization, demonopolisation, budget and social insurance reform, tax system reform, restoring the authentic function of local government) as well as financial markets reform [Fischer, Gelb, 1991]. The main part of transformation processes initiated and controlled by the state was reduced within all areas to: deregulation, disinflation, demonopolisation, denationalization and macroeconomic restructuring of production potential. All the above mentioned actions were accomplished on the basis of restructuring the system of various business institutions, agencies and entities.

The process of transition from centrally planned economy to market oriented economy should be based on two main mechanisms: selection and creation. The

former one is connected with liquidating and dying out of the already existing institutional structures, which are incapable of triggering creative destruction, i.e. bankruptcy of ineffective business entities. The latter one is, in turn, a process of taking over the production capacity by other business entities capable of their proper allocation and of establishing new enterprises that are able to introduce technological, product and management innovations. Similarly to social modernization, the institutional change involves also modernization of economic perception and operation rules. It means that both society, and individual business entities bear the costs resulting from it. All market participants, or even whole communities, may be charged for it depending on their abilities to adapt to new operation rules. Nevertheless, the final result of a transformation ought to be an increased effectiveness of production capacity achieved by triggering enterprise or initiative to modernize managerial and production methods, products and mechanisms of distribution and trade. Rules of a scientific approach require that controlling the process of systemic transformation is aimed at optimizing an overall cost-benefit analysis. Finding the optimal way to transform non-private “hands on” economy to efficient free markets which minimize costs and maximize profits rise some serious questions which have to be posed. Unfortunately, the economic theory did not cover any “off the shelves” solutions to this problem. Practice did not provide any examples of systemic transformation of this type and therefore one could not make use of any conclusions based on factual studies. Regardless of the existence of this obstacle, it was necessary to search for a way to conduct institutional modernization which would enable either the minimization of costs resulting from transformation or maximization of its benefits, because the previous economic systems functioning in Poland and other communist countries could not meet the requirements of competitive markets (which functioned on the basis of the synergy of technology, product, management and marketing innovations). In order to trigger adequately intensified modernization processes, which would enable to make up for the development gap and eliminate the technological one, one had to find answers to a number of important questions. The most crucial ones referred to the target model of capitalism and therefore it was essential to decide on the following issues:

1. Which of the already existing models of market economies or the ones described in economic theories, would meet the requirements of a country like Poland, which undergoes modernization processes?
2. What are the solutions leading to the implementation of a given model?
3. Which of these solutions carry with them the lowest costs of social modernization, guaranteeing thereby achievement of transformation aims?
4. What kind of reform efforts have to be made and implemented by a state; what is right order and pace of the implementation of these reforms so that it helps in eliminating the inertia of a previous system and reducing costs as well as risk related to the reforms?

COMPLICATIONS RELATED TO THE DEMOCRATIZATION OF THE STATE

Systemic transformation is inseparably connected with modernisation of a state, which results from the existence of interconnection between political order and economic system. The political order determines both the scope of freedom to make decisions by citizens, business entities and state institutions and the scope of activities banned, ordered and reserved for these entities.

The historical experience of many countries provided the evidence for the fact that an economy functions more efficiently when the scope of activities reserved for state institutions or state-owned companies is highly limited and the citizens hold in their hands the decision-making powers (so called liberal order). Taking into consideration the above mentioned facts the economists believe that a considerable scope of freedom to make decisions together with modernization of a state in the form of democratization constitute the main determinants of effectiveness of an economic system.

Statism of the political order which assumes an legitimate role of state or state-owned companies in directing economic exchange may increase the occurrence of conflict between external and internal norms and therefore a clash between the common good and individual interests. In order to minimize that risk business entities, including, first of all, individual citizens, moderate their activity and creativity, whereas the state increases the number of bureaucratic procedures allowed by country's economy. It means that the nationalization of economy decreases its effectiveness because it limits activity undertaken by an individual citizen and strengthens the role of a state.

In order to enhance the effectiveness of macroeconomic policy, innovation and economic dynamics typical for development aspirations of participants of economic processes it was necessary to abolish in Central and Eastern European countries state's economic directives and bans on purchasing factors of production from other distribution lists than the ones addressed to state-owned companies.

A prerequisite for the protection of business entities from the reoccurrence of nationalism is the legal protection of individual freedom and private property and the existence of a democratic country with a standardized and limited scope of decision-making powers. In other words, it is all about guaranteeing the rule of law³. The prerequisite for the application of the rule of law is the elimination of political restrictions on freedom to choose systemic changes⁴.

Democratization provides only institutional conditions of economic liberalism. Moreover, the creation of a country with standardized positions of its institutions is indeed a highly time-consuming task. People need to internalize the functioning of new institutions and prove it in their believes and actions. Two of

³ More on this subject in the context of the present challenges [Woźniak, 2017, pp. 9–30].

⁴ One can also find an inverse relationship, which results from the fact that private property

the above mentioned processes, i.e. democratization and economic liberalization, are not closely correlated to each other, which results from the fact that any transformation includes two type of processes: the ones of an autonomous character, which are difficult to control, and the other ones, which may be partly or fully controlled by a government. Only the latter ones may be accelerated due to democratization, whereas the more important role of the autonomous processes, the more difficult it is to speed up the development of efficient markets.

In most cases the democratization enables to speed up liberalization of prices and limit government's intervention in economy. Moreover, it favours the introduction of a well-organized financial system, privatization and liberalization of foreign trade. Nonetheless, considering the vulnerability of young democratic systems to pressures from interest group conflict appealing to economic efficiency or social solidarity, some of the elements of systemic transformation may become more complicated. It may result in the occurrence of problems with orienting the logic of the economic system to socio-economic cohesion. In reality it refers mainly to activities connected with: social insurance, privatization, demonopolisation, commercialization of some areas of fiscal system (education, health service) and efficient tax system. What is more, the legislation of a new economic order may be more difficult due to the temporary occurrence of conflict of interests caused by the distribution of costs and benefits resulting from the transformation.

The difficulties with accelerating the systemic transformation resulting from the eruption of conflicts of interests caused by the distribution of costs and benefits of this process emerged in all post-socialist countries. The escalation of these conflicts in some of the countries forced their governments to postpone the planned changes. Poland was an example of such situation, where the government planned to reform in the year 1991 some elements of the fiscal system (health system, social insurance and education) and in reality the reform was carried out in the late 1990s. Modernization of the fiscal system initiated by these reforms did not, however, bring the expected results. Problems stemming from this situation manifested themselves in the next years. Therefore, the issues of country's modernization and fiscal system's reforms became the most acute problem of the second decade of the 21st century. Abandoning reforms of the public sector in the name of political interests may lead to country's bankruptcy resulting from systematically deteriorating condition of public finances.

Reforms with commercialization of public services have not eliminated the tendency for public debt to grow and have not guaranteed an improvement in the quality of these services, and in many sections has worsened and limited access to these services. There was also no effective action against the escalation of rent seeking and for the sealing of the tax system. Reforms in this direction with alre-

and economic liberalism play a fundamental role in the development of democracy. Therefore, after nationalization and market displacement, the democratic system could not function in communist countries.

ady visible successes are being made since the end of 2015. But they are in a climate of protests and total opposition from the beneficiaries of a weak state unable to fulfill a social mission and put the economy into the right business.

After 20 years of systemic transformation politicians still dispute over the fact if the country should be liberal or solidary. The economic theory, on the other hand, argue about minimalistic or realistic system. Within the context of the above mentioned arguments, there emerges a problem of the position of socio-economic cohesion in country's regulatory economics and the issue of fair socio-economic inequalities⁵. All serious participants of the discussion on the role of government in economy agree that a period of Statism, initiated in the 20th century (particularly in times of the big crisis in the years 1929–1933) and forming the basis for country's fiscalism, is now over. An overgrown state administration cannot come to power again because it undermines the fundamentals of an effective economic system.

Processes of globalization and liberalization, which promote increase in microeconomic efficiency through competition relying on overall effects of innovation processes, raise an important question about a new role of a country in the face of future challenges and threats [Żyżyński, 2012, s. 275–308]. A great number of Polish economists questions, among other things, the architecture of international economic relations, which stems from neoliberal version of capitalism with government's intervention reduced to a minimum and consisting in deregulation and elimination of all symptoms of free choice restriction (strengthening negative liberty), and a country that shifts the responsibility to create possibility to exercise the positive liberty (empowerment, responsibility, protection of human dignity, human capital and other resources essential for exercising the power of free choice) onto the market sector and/or civil society [Sadowski, 2006; Kołodko, 2008; Kowalik, 2009; Mączyńska, Pysz (ed.), 2010; Żyżyński, 2009].

Due to the consequences of the world financial crisis that took place in the years 2008–2010⁶, the issue is currently emphasized by a great number of economists, even the ones who were previously in favour of diminishing government's role in a country.

WAS IT POSSIBLE TO CHOOSE AN ALTERNATIVE MODEL OF CAPITALISM?

The transition of the economic system into market economy aimed at creating a reliant and efficient mechanism of coordination, which was supposed to provide macroeconomic stability, microeconomic efficiency, reorganization of the economy and economic growth in line with Poland's aspirations to develop. It was assumed that the problems related to socio-economic inequalities would be solved somehow automatically in the course of accomplishing the above mentio-

⁵ The term was introduced by the Author in: [Woźniak, 2005, p. 157–181]

⁶ See more in: [Kołodko, 2008 (ed.); Kleer, Wierzbicki, Galwas, Kuźnicki (ed.)]

ned objectives and as a result of declaring institutional order of the social market economy, what appeared to be more of a political declaration and intention of less powerful politicians, treated as nothing more than just a target model of a market. The analyses of efficiency and deficiency of particular economic systems in Poland, popularized in 1980s a common belief that the models of capitalist market economy that proven themselves in practice provide efficient systemic solutions [Balcerowicz, 1989].

The authors of the transformation rejected any hybrid solutions, introduction of gradual changes based on deliberisation [Leonard, 2008] as well as disregarding the rule of law, and respected only consultative methods of setting aims. First of all, the government did not take into consideration proposals of a third way, i.e. market with predominance of non-private property and egalitarian rules concerning distribution. It assumed the creation of Self-governing Republic supported by Solidarity Movement with a population over 10 million people and based on Christian values, traditions of national struggle for freedom, social justice and economic rationality. Also not taken into account models of the market, some more nationalized than others, including also respected the rules of Rawl's Theory of Distributive Justice [1974] and country's commitment to create the possibilities of freedom of choice according to the recommendations of A. Sen's theory⁷ Against the above mentioned concepts were presented theoretical arguments and the fact that the efficient markets cannot exist, including particularly capital and labour markets, when private property is so commonplace [Dąbrowski, 1986, p. 109–115]. The historical evidence of the defect of the new road to efficient markets was also found in the Yugoslav model of market socialism and worker's participation in centrally planned economies functioning in countries of Central and Eastern Europe. Moreover, the concepts of a regulated market in the form of centralized strategic coordination, active Keynesian economic interventionism as well as welfare state in the western Europe.

The authors of the market of the Polish economy also did not take into account the Chinese model of state capitalism. Experience of creating a combination of etatistic political system, strong macroeconomic strategic coordination and gradually implemented reforms leading to market have resulted in spectacular successes. Intellectual elites and the Polish society jointly stated their aversion to etatistic political order and demanded subjectivity in socio-economic and political decision processes at state and local level as well at macro and micro level. The Chinese reforms, in turn, stemmed from the social capital built in a different cultural environment [Kowalik, 2005] and with the use of managerial staff from private companies. When it comes to the cultural environment it was an ethical and philosophical system of Confucianism combined with Taoism and Buddhism.

⁷ Sen's views were presented in a number of his publications already in the 1970s. They are explained in an accessible way in: [Sen, 2002].

which strived after harmony between the body and the spirit and not the one between the freedom of choice and private gain, which were characteristic for Euro-Atlantic civilization. From the perspective of 30 years, the Chinese model seems to be a constructive idea for modernizing and creating society living in harmony between tradition and modernity as well as for combining market forces with centralized strategic coordination.

The historical experience of capitalist market economy showed, that, depending on specific cultural environment, political traditions, progress of civilization and external economic environment, in reality one can distinguish market models that differ in terms of country's economic interventionism, role of the public sector, scope of the country's social welfare function and the extent of budgetary system commercialization. Historical experience laid foundations for two types of market economies: the first one with a very limited role of country's regulatory economy (for example the USA) and the second one with a substantial role of this function (India and the Third World countries). According to dominant trends in mainstream economics, one could observe, in the late 1980s, clear tendency towards deregulation and static system, as well as limitation of country's economic interventionism. At that time there existed and still exist capitalist countries characterized by a substantial though not dominant share of non-private sector (Israel, Finland, Austria, countries of Latin America) and the ones with a modest share of public sector or working on limiting its role (the USA, the United Kingdom and most developed capitalist countries). Last but not least, there were capitalist economies manifesting a limited role of social welfare functions, for example South Korea and other countries of South-East Asia. Another group of capitalist countries has successfully pursued ideas of social market economy with an important role of country's protective function (Norway, Israel, Sweden), although nowadays this function is being limited due to fierce competition. The signatory countries to European Communities (from November 1993 to European Union) provide in running market economies a centralized strategic coordination, in order to achieve socio-economic cohesion, i.e. to combine criteria of economic efficiency with criteria of social proof, which assume respecting rules of responsibility between and within generations.

The choice of a particular type of capitalism was highly influenced by all failures of reforming centrally planned economies (except the Chinese reform) and informal agreement in mainstream economics on the lack of alternative to capitalism and the unique ability of its English version to face the most fierce competition, make up for development differences and implement an effective financial stabilization policy. Theoretical polemics and disputes on this issue did not make much difference [Kowalik, 2008, p. 42, 51]. Successful Reaganomics, Thatcherism, IMF stabilization programs in Mexico and South America were supposed to serve as an empirical evidence. Considering the unique character of Poland's space-time situation, the only important matter was, according to the reformers,

the favourable geopolitical coincidence resulting from perestroika initiated in the USSR and the willingness to discount economic benefits connected with the creditor's readiness to support the above mentioned reforms in Poland, which was not able to pay the foreign debt. A decisive role in the choice of a particular type of capitalism and finding solutions to exacerbating competition between companies existing in a neoliberal version of capitalism did not fall to highly emotional theoretical polemics on country's socio-economic reality, but to finding a program with a broad political support. Not only economic experts chosen by the government to market the economy received the idea of neo-liberalism with proselytizer's fascination⁸. The authors of the transformation took into consideration the fact that the occurring problems resulting from a 'great leap to the market' will create pressure of forcing the enhancement of country's economic interventionism and its protective functions. However, these ideas ought to be rejected, regardless of any opinions and theoretical disputes.

The first non-communist government in Poland accepted in the above mentioned intellectual atmosphere the capitalistic economic system, which was characterized by the following elements:

- The majority of various private companies.
- Competition.
- Economy open to the external world.
- Strong and convertible national currency.
- Lack of bureaucratic regulations imposed on the companies by the government, which provides firm operational frames but does not let itself being influenced by various interest groups, including pressures from trade union [Balcerowicz, 1992, p. 139].

Low competitiveness of Polish economy was the reason why in the years 1989-1990 the communist government paid only for 20-25% of total foreign debt and postponed the rest of the payment to a later date, increasing therefore its amount.

The target model of economic system was supposed to be implemented by its authors through:

- Immediate activation of mechanism of a perfect market.
- Drastic reduction of government's role in economy.
- Privatization of the majority of state-owned enterprises within a couple of years.
- Commercialization of social services.
- Developing international trade and forming association between Poland and the European Economic Community (EEC).

The attempts taken by the authors of economy market implementation to form association between Poland and the EEC inspired them to search for the models of

⁸ See the topic of intellectual circumstances of taking decisions on systemic transformation and economy stabilization in: [Kowalik, 2009, p. 79–108].

economic order in EEC's *acquis communautaire*. The process of adjusting Polish legal order to the one of the European Union lasted for more than 10 years, however the successful implementation of these changes was the prerequisite for accession to the EEC. This requirement made it impossible to create the market economy on the basis of neoliberal version of capitalism, which was supported by initiators and architects of the whole process. All the above mentioned operations determined future directions of economic, political, social, technological modernization.

ERRORS IN THE PROCESS OF TRANSITION TO MARKET ECONOMY

Cognitive, information and axiological biases play a significant role in implementing reforms on a larger scale. Knowledge of the consequences of regulatory mechanisms forecasted by the theory may never be complete due to the complexity, diversity and time variability of their reasons and also to probabilism of social phenomena, which requires perceiving future situations and processes in terms of probability. The risk of committing errors and mistakes increases in line with the scale as well as with subjective, objective and temporal scope of the implemented reforms. In case of the above mentioned changes in Poland it was a transformation concerning various spheres of life and changing people's way of thinking and acting, what should trigger economic efficiency and social acceptance to initiate mechanisms of self-responsibility. The systemic transformation itself had to result in considerable variability of main factors triggering real economy processes and the links between them, whereas the prerequisite of credibility and reliability of forecasts is at least relative constancy of these relations and their causes. The only certain thing was that one had to think and act differently, because otherwise the civilization gap would widen as a result of inability to follow the rapid changes of global economy. It was difficult to predict the dynamics and scope of active adjustments to general economic playing field and the numeric values of playing parameters generated by a free market.

A mechanical approach to the theory made it difficult to notice the inapplicability of theoretical models of a market to particular social, political and economic conditions of post-socialist economy. In case of Poland there was another problem arising from the lack of benchmark for the choice of transformation model. It is true, however, that in case of some countries' postwar experiences particular elements of transformation were based on given benchmarks and they were connected to: prices deregulation, abolishing regulation and distribution, eliminating deficiencies and inflation, liberalization of foreign trade on financial markets or even privatization. Nonetheless, examples of such situations were scarce and they took place in a different historical context, i.e. in conditions of lower level of statism and in the already existing market environment.

Analyses of deregulation processes initiated in a great number of countries in the 1980s in order to improve the already existing market environment and reduce negative effects of the excessively developed public sector, were a source of limited information about ways and effects of implementation of particular elements of transformation process and fragmentary reforms. Totally unknown were the effects of the relationship between deregulation undertakings concerning all new mechanisms of market economy and therefore one could only make assumptions that were very often far from reality. The above mentioned problems concerning forecasting were responsible for the fact that every simulation based on qualitative analysis allowed the economists to make use of competing hypotheses, which could include substantial systematic errors. When such economic forecasts were prepared it was assumed that business entities will immediately implement active adjustments⁹ to the previously unknown playing field based on competition and macroeconomic neoliberal stability programme functioning without centralized strategic coordination of modernization processes. Since the governmental stability and systemic transformation programme consisted in introducing ‘double shock therapy’, i.e. radical stability together with an immediate suspension of growth wages¹⁰ and income rise and radical economic liberalization [Balcerowicz, 1992, p. 41–52].

Even if the theory of economics provided unambiguous arguments concerning the proper scope of country’s economic interventionism and its social functions, one should remember that scientific argumentation could not serve as the only factor determining economic behavior. Business entities had only idiosyncratic knowledge, which had been previously verified in conditions of centrally planned economy and social capital inadequate for a system based on competition. One had to learn active adjustments from the scratch in a special ‘systemic vacuum’, i.e. in an economy functioning already without any macroeconomic plan and still without any market mechanisms, except few big companies which relied on export to capitalist countries.

When one looks at market economy from the perspective of its conditioning in the period of transformation from the post-socialist economy it should be pointed out that in reality the emerging markets provided plenty of opportunities for increasing individual and collective profits, which was in contradiction to central planning characterized by a paternalistic system, however they gathered entities without strong abilities and tendencies to make use of the opportunities offered by the market. Analyzing this issue from this perspective one may easily notice the quality differences between market opportunities in countries of marginal capitalism or emerging markets and countries recognized as business centers that have been making use of these opportunities for years.

⁹ Analysis of the delays in microeconomic adjustment processes in Poland see in [Woźniak, 1998, pp. 80–96].

¹⁰ From the beginning of 1990, 200% of the tax was levied for exceeding the specified wage fund limit by 0.1%–3%, and for the excess of the limit of over 3% by 500%.

The Polish society functioned in the year 1989 in conditions of embryonal development of market institutions, serious and increasing decapitalisation of national wealth, substantial foreign debt, destroyed work ethics, populist feeling and static country unable to pay an increasing external debt. Shock deregulation led to hyperinflation. In such circumstances no one could expect that there would occur a great number of profitable market opportunities, market participants willing to make use of them and potential active policy supporting competitiveness of national production. In that case there were other issues that raised some motivational dilemmas, which hindered, or even prevented business entities from rational choices and business success of enterprises' rapid development.

Nonetheless, the above mentioned limitations could not lead to abandoning the realization of the programme aimed at creation of efficient markets. Indeed, the non-private centrally planned economy did go bankrupt, whereas the „hands off” economic order turned out to be the only tried-and-tested and unquestioned way to achieving a steady growth in efficiency of making use of all factors of production. The experiences of developed market economies showed that the sacrifices connected with systemic transformation would be temporary resulting from the process of learning to operate in new circumstances, which demanded taking responsibility for the consequences of one's decisions. The authors of the systemic modernization based on a double shock (liberalization and macroeconomic stability) agreed to the fact that the side effect of emerging liberalization and competition could be not only increasing disproportions in distribution, but also stability and allocation errors on markets, which were extensively covered by the economic literature. By supporting spontaneous market order of a neo-liberal character, which minimizes role of a country, they accepted modernization, which provides socio-economic cohesion based mainly on procedures guaranteeing the freedom of choice [Nozick, 2010]. There was a great number of economists who disapproved this approach to systemic changes, they had, however, no influence on the transformation proceedings. In their opinion, it was a modernization mechanism lacking social cohesion, whereas the country was supposed to perform some serious social functions, by creating equal opportunities for all its citizens and adopting the rule of social justice in a form that did not undermine the efficiency of market mechanisms. Considering other market errors intervention policy of a country should have been aimed, according to the above mentioned critics, at creating market stability, price stabilization, eliminating disproportions in local development, fighting against unemployment, supporting development of important production branches (agriculture, energy industry), promoting export and other activities performed to achieve sustainable economic development. Supporters of economic interventionism of a country referred to a popular concept of a social market economy.

Although the idea of social market economy was already mentioned in *exposé* of the Prime Minister of the first non-communist government, Tadeusz Mazo-

wiecki, and was later included in the new constitution of the Republic of Poland (1997)¹¹, the reforms proceeded as the other standard programs of IMF and WB, which offered help to the Third World Countries on condition that they meet the requirements of ‘a golden standard of capitalism’, called the Washington Consensus, and in case of Poland also the requirements of ‘a golden standard of transformation’ [Stiglitz, 2002 p. 84; Koźmiński A. K., 2004, p. 16-17].

Unfortunately it needs to be emphasized that a great number of representatives of new intellectual elites did not resign from a dismissive arguments, such as ‘but there is no alternative to it’. This style of argumentation creates favourable conditions for identifying real markets with their model representations. The idea in itself may indeed be very powerful, however only in the sphere of heuristics. Every model is based on some assumptions, however, in reality every person, instead of perceiving its form as ideal, sees something completely different. Therefore, there arises a question, if the above mentioned assumptions may turn into reality and if so, on which conditions. One ought to pose such questions both in case of market coordination and hierarchical one, because it is necessary to honestly determine the extent to which the government should intervene and which procedures, tools and mechanisms should it use to achieve it, so that it does not reduce the pace of competitors’ innovativeness and decision makers’ rational behaviour regarding values preferred by people (preferences) and the possibility to choose them.

Economic efficiency or technological change should not serve as an end in themselves. Otherwise, it would give rise to ridiculous decisions treating people as shallow and one-dimensional characters. Such individuals are the product of reductionism, which, for convenient intellectual stimulations, emphasizes the only aim of human existence and politicians’ conduct – private gain, which may be transferred into market terms. This original sin of neoclassical economy gave birth to the model of perfect competition, astonishing tolerance and sometimes even blindness to market errors, where a multidimensional individual is doomed to failure, because it strives for achieving a harmonized development of all spheres of life (biology and nature, common sense and spirit, consumption and technology, economy, politics and society) together with all appropriate aim functions.

Looking from the perspective of a multidimensional person, the question about minimal role of a state and a maximal role of a market is not correctly formulated. The positive or negative verification of hypotheses included in the above mentioned question does not provide sufficient evidence for practical functionality of the proposed model. Poor reliability and susceptibility to ideological manipulation of such verification procedures was confirmed by examples of countries with high GDP *per capita* in case of a minor and significant role of the

¹¹ Article 20 of the Polish Constitution says: ‘Social market economy based on free enterprise, private property as well as solidarity, dialogue and cooperation of social partners constitutes the main elements of economic order of the Republic of Poland’ [Translated by K. Potocka].

government measured by the share of governmental expenditures in GDP. Meticulous research, which is devoid of ideological prejudice, requires falsifiability procedures. In that particular case one ought to ask about an efficient country, i.e. a country that reacts effectively and efficiently to challenges and threats identified by present and future generations, a country that strengthens competition, completes markets and supports people who voluntarily form associations establishing aims not realized by their markets. Therefore, it is pointless to idealize market economy without considering the role of the government and other non-market regulatory mechanisms. This reflection is typical for ordoliberalism and that is why it was so significant at the moment of transition to market economy and also deserves particular attention today, naturally provided that the universal development challenges and threats characteristic for the second decade of the 21st century as well as Poland's situation are taken into account.

A rational answer to the above mentioned question requires to identify the possible development challenges and threats relating to all spheres of life, assess the ability of actual markets to adjust to these changes and their transferable and non-transferable incapacities regarding these multiple aims.

It has been known for years, even before the transformation, that markets make allocation, stability and distribution errors. The information asymmetry is a common characteristic of a market and also other hierarchical structures, which may change a given piece of information in order to achieve their goals. The personal responsibility, assumed by the *homo oeconomicus*, which refers to the same extent to business, work force and politics and is perceived as a driving force of economic rationality, is not a product of solely free competition. If it is supposed to be universal and distributed symmetrically, it has to be forced by the competitive order, which, in turn, is imposed by legal and administrative principles, or even liberal ideology supporting an efficient socio-economic order. Unwise decisions are the domain of economic systems, in which responsibility is easily placed on the others. The financial crisis triggered by the bankruptcy of Lehman Brothers Holding Inc on 15th September, 2008 showed, that not only political elites are susceptible to making wrong decisions, but also representatives of the business world too. The latter tend to shift the responsibility for their hazardous moral undertakings onto third parties, and, at last, on taxpayers.

Another group of mistakes results from commanded economic system. Generation that experienced it, does not need to be convinced against the state, due to the lack of expectation of static, overregulated, delayed, burdened with excessive transaction costs, opportunistic practices. If one misses for paternalistic state, it is not against freedom of choice, responsibility understood as "equal pay rule", entrepreneurship, frugal fiscal policy, but rather because of experiencing for the whole twenty century transformation of ignorance against straightforwardness of conduct in business activity. Without a constructive social dialogue treating seriously all its parties it seems to be impossible to

find an answer to the question about modernization of the public sector, which would enable to free political elites from the pursuit for *rent seeking*, and to put in bluntly, from governmental corruption burdening taxpayers with additional costs and morally corrupting incentives. The lack of such dialogue does not favour a patient-friendly reform for prevention and health care, reform of fiscal policy, which symmetrically distributes the costs connected with management of an effective country on all social groups, reform of the policy promoting favourable economic situation, including sound public finances, decrease in unemployment, poverty and social exclusion. Making the dialogue party dependent prevented the family-friendly policy protecting against the consequences of demographic crisis and also reforms promoting safe pension scheme and social policy liberating its beneficiaries from moral risk.

Considering badly functioning institutions of civil society and the mediocratic information noise, it is the intellectual elites' responsibility – and not only elites' of the economic world – to initiate, encourage and arm all social groups in educational tools necessary for partnership dialogue aimed at combating country's demographic crisis and threats to sustainable development. Neoliberal ideology, which discredits state as an invader of the future by the presence for the purpose of unproductive and in most of the cases not effective social objectives is the way towards asymmetric competition, goods incapacity, deprecated social capital, state without power, instruments and material resources in order to efficient functioning of the state. A state is too big not only due to immanent features of the non-market economy. After all, democracy is a political market and, similarly to economic markets, it is subject to asymmetric competition and asymmetric information, whereas people operating on the political arena, like the ones from the business world, have tendency to maximize their private gain and shift the responsibility for wrong decisions onto other market participants, who in most cases are poorer and have a weaker position.

A serious problem with defining economic phenomena, in this particular case the function of a state, does not help in finding constructive solutions in the world facing asymmetric competition, depopulation, increasing autonomy of financial markets, high and still increasing unemployment rate, spreading poverty, crisis of public finances and lacking creativity. Minimizing the scope of state functions is not the only and best solution to manage the above listed problems. A country which manages efficiently its public finances is a desired option, however, only if it is also able to fulfill its ascribed functions, in particular the ones indispensable in given conditions. For instance, the crisis forces the decision if it is possible to change the structure of tax burdens, which would favour entrepreneurship and demand for domestic production without violating international regulations. Such possibilities are provided by coherent family friendly policy, increased personal income tax brackets for highest waged employees connected with deductions for business activity limiting unemployment, decreased personal income tax brackets

for people below the minimum subsistence income or even tax exemption in some cases. If one makes an observation that income of representatives of the lowest income group, very often families with many children, is more closely linked with expenditures on domestic products, than the one of the members of the highest income groups, this solution seems to be desirable considering its multiplier effects. There are also other examples of intelligent fiscal solutions connected with the reduction of direct taxes resulting from compensation of loss on budget revenue due to increase in indirect luxury taxes, and in particular excise tax on goods having adverse social impact. The tax reduction may also be compensated by creating institutions oriented at eliminating attempts to take undue advantage, excessive bureaucratization and shifting responsibility to third parties. In order to do that one needs political will, which is difficult to find among a group of experts that do not respect specific network conditions typical for structures of information and telecommunication technology era and in the setting of political market of mediocratic post-socialist state, which was not properly established in the civil society and therefore was not sufficiently controlled by the society. Although the transition to market economy may benefit the country due to the introduction of criteria of economic efficiency and increase in competitiveness, without an effective civil control this change does not necessarily guarantee social cohesion. The above mentioned fact draws attention to particular tasks of a state, especially in case of creation of efficient markets¹².

In this context, they are justified to strengthen social control over the functioning of justice and other areas of political and socio-economic governance. Efficient social control of the political sphere requires care for the development of human capital of the nature of the common good. Only then does the social space open to effectively harmonize the objectives of the project to improve the quality of life [Olson, 2010].

PROBLEMS ARISING FROM THE DYNAMICS OF TRANSFORMATION

Considering the clash of two different systems of social capital – the former stemming from religion, traditional values and collectivism, and the latter originating from market values and individualism – one ought to pose the question about how to gradually implement the transformation processes. Gradual implementation of market reforms, which took place already in the 80s in Poland, did not raise hopes that the subsequent attempt may be successful, in spite of the fact that one could have such hopes when looking on the example of Chinese reforms. Unfortunately, this experience could not serve as a basis for fundamental changes in the logic of economic system, which was the main objective. Nonetheless, Poland's

¹² For further information see: [Żyżyński, 2013, p. 275-308; Zybortowicz, 2010, volume No. 16 and 17].

social situation did not favour the introduction of these reform processes, which had to be subject to possible hybridization and therefore was threatened with failure. At the same time it was obvious, that the whole process, from the beginning to the moment of activation of market mechanism, would have to stretch to a long period of time. It was about transition from centralized government administration, through regulatory economics and gradual elimination of external regulation for self-regulation, in conditions of prevailing non-private property and extensive subsidies to state-owned companies. The process of self-regulation in this form, which lasted for a decade in the 80s, prolonged functioning of the system with contradictory mechanisms and no self-regulating power.

Intensification of the reforms in years 1988–1989 showed conclusively drawbacks of gradual and top-down transition to market economy. It proved the concerns expressed by supporters of integrated process of Polish economic system transformation, that merging of intrinsically inconsistent elements of different economic systems results in accumulation of flaws and at the same time loss of advantages coming from each separate system. The situation resulted from the fact that during the period of introduction of the above named changes, administrative procedures were being eliminated one by one. Nevertheless, this gradual administration dismantling process did not guarantee creation of efficient markets instead, because they may become efficient only if the market is equipped with the whole of mechanisms, institutions and tools, which work consistently with its logic.

The gradual changes gave birth to system of regulations, which was suspended between the plan and the market, however, it was devoid of an efficient plan and efficient markets. This state in economy was called systemic vacuum. To be precise, one ought to mention, that the elements of such systemic vacuum have also occurred as a result of actual transformation as a shock therapy. This situation, concerning in particular financial markets, occurred in Poland at the beginning of the 1990s, when the institutional changes have not been introduced yet, and the previously functioning regulatory mechanisms ceased to operate.

Even in case of shock transformation it seems to be impossible to completely avoid the occurrence of some of the elements of systemic vacuum due to the autonomous processes concerning these changes, conduct inertia of actors of current economic situation and a limited efficiency of authorities controlling transformation proceedings. The phenomenon of systemic vacuum makes it impossible to eliminate primary causes of the appearance of crisis effects typical for management (increasing deficiencies, economic inefficiency, progressive price inflation, decreasing economic growth and standard of living). Another factor preventing the elimination of the above mentioned causes is the inertia of formed behavior patterns of economic system participants, which consist in using delaying tactics, populist demands for relaxation of discipline concerning self-financing, reluctance of most business entities to introducing active adjustments in hopes of gover-

nmental concessions and return to paternalistic procedures as a result of critical events¹³. Intensification of inefficiency reasons, deficiency in innovations, unlimited tendencies to monopolization, demand-inflation imbalance does not only results from introduction of slackened mechanisms of administrative control, but also from the fact that the operating institutional, cultural and infrastructure conditions on efficient markets are incomplete. It is possible to at least partially limit the deficiencies, it would, however, lead to open inflation. Decreased regulation and gradually increasing independence cannot provide economic balance, sustainable economic growth and macroeconomic efficiency. It is possible that the decision to introduce gradual changes could turn out to be wrong and that the whole process would be a Sisyphean task. Endless reform with no effects could lead to a situation when the government would return to the previously functioning administrative management and economic system, and therefore it would mean combining two logically contradictory regulatory systems.

Moreover, gradual transition of an economic system requires the creation of various temporary regulatory solutions due to the fact that the transition process accumulates flaws of regulations introduced by a state and incomplete market mechanisms. Such hybrid solutions complicate behavior patterns of business entities. Unpredicted effects of the blend of administrative instruments, economic regulators and market parameters forces these entities to make additional active adjustments, which prolongs the transition process and difficulties resulting from it.

As experience has shown, if the regulatory sphere is dominated by instruments and solutions typical for centrally planned economy, the new instruments and institutions have to undergo adjustment procedures, which decreases reliability of market parameters. In order to accelerate the occurrence of effects of Polish transition process, its authors suggested extensive changes of regulatory mechanisms basing on competition. The extensiveness of systemic transformation aimed at eliminating the possibility to return to central coordination by introducing administrative regulators and creating better chances for development of all markets. This powerful strike at the beginning of the transition process was also supposed to prevent the negative effects connected with the introduction of gradual market changes.

The inspirations to the ideas of shock transformation came from the group of IMF experts under the name Big Bang. Treated as conventional methods of transition to market economy they were perceived as the only justified choice and were implemented in most post-socialist countries. At the beginning the shock therapy was introduced in Poland, in accordance with IMF recommendations and the scenario described in the governmental program of systemic transformation, i.e. the so called Balcerowicz Plan.

¹³ The process has been explained in: [Woźniak, 1998]

The history of Poland showed that the double shock in relation to liberalization and macroeconomic stabilization resulted in the occurrence of far higher costs and more serious social problems than anyone had expected. The disappointment concerned all macroeconomic indicators which decreased much faster than it had been planned and the situation was prolonged because of the fact that business entities did not implement the expected active adjustments. It referred mainly to decrease of production, growing unemployment rate, unsatisfying results of the fight with inflation, decreasing standard of living and growing social reluctance to the reforms. In the face of the above mentioned facts the initial exhilaration caused by the shock transformation was replaced by a widespread criticism and resistance to reform undertakings expressed by social groups that paid the biggest price for the transformation and lacked adjustment capabilities essential for accomplishing individual development aspirations in conditions of market economy. Moreover, the number of contradictory opinions expressed by the experts was growing and the usefulness of IMF recommendations was being questioned. Among the most acute problems resulting from the shock therapy one could count:

- too passive role of a state in relation to social policies, which exclude from modernization processes a big fraction of citizens that rank among the poorest
- excessive openness for external competition, which – in conditions of a too strict monetary policy – prevented modernization of state-owned enterprises,
- lack of pro-supply policy that would make use of tools of state interventionism and industrial policy, which protects a country from excessive recession and society from a too dramatic fall of unemployment rate,
- no concept of enterprise restructuring and therefore condemning the enterprises to an early privatization, which supported more finding solutions to budgetary problems and making the economy dependent on the foreign capital than the modernization of technology,
- deficiencies of institutional tools essential for the transition into market economy, which gave rise to the situation where representatives of the secret service and the nomenclature of the former communist party came to power, what resulted in the occurrence of wild capitalism concentrated on gaining benefits from asymmetric information and the access to sources of law creation, whereas these benefits had nothing to do with the modernization itself.

While working out the systemic changes which constituted the shock institutional transformation no one took into account the fact that there were two types of such changes differing in pace of their occurrence, i.e.: evolutionary changes and interval changes. Both types are characteristic for controlled transformation processes, whereas the interval ones predominate distinctively in case of autonomous transformation processes.

The authors of the double-shock transformation came to the conclusion that the discussion on the ways of triggering autonomous transformation processes is pointless, because these processes follow their own rules and may not be con-

trolled by a state. Moreover, it is true that they occurred thanks to the fact that the deregulation opened the way for initiatives, creativity, autonomous decisions and the ability to take risk. Their course depends on market opportunities, their structures as well as individual ability to see, analyse and take advantage of them. Nevertheless, one cannot forget the role of a state in creating institutional environment favouring the development of market behavior culture. A state which takes care of efficient markets by creating legal framework for economic liberalism and a free functioning of all necessary market institutions under the rule of law and by eliminating the repeated attempts to take undue advantage as take undue advantage as well as by providing universal access to education, removes the barriers of autonomous adjustment processes.

The strategy of double-shock transformation was not directed at creating possibilities of the above mentioned adjustments and that was the reason why it excluded from modernization process too many entities or even the majority of a society. However, it facilitated the pathology of the market process, minimizing the social functions of the state, the orientation of the economy to the right business, and strengthening the innovation processes.

A description of mechanisms responsible for adjustment processes goes beyond the subject of the herein analysed issue. Nonetheless, knowledge of mechanisms and limitations of such processes may be very useful in making decisions concerning the pace of implementation of particular elements of the controlled transformation processes. Unfortunately, the economic theories prevailing in the late 1980s did not pay due attention to the role of inherited heuristics and social capital in successful adaptation of regulatory mechanisms functioning in developed capitalist countries.

CONCLUSION

Looking from the perspective of economic effects the choice of a strategy of implementing controlled transformation processes ought to proceed on the basis of comparison between costs and benefits resulting from all possible known variants. Unfortunately, such calculation could only be purely hypothetical, because it is impossible to determine with sufficient probability the differences in length of particular autonomous processes. Moreover, it would be difficult to count the anticipated costs and possible results.

If one assumes that the advantages of transformation emerge mainly after creating efficient markets, whereas during the introduction of transformation processes prevail losses and advantage of costs over benefits, the optimal choice is the variant that may be implemented as soon as possible. The sad information is, that this assumption does not guarantee reliability.

A comprehensive presentation of a market treated as a set of institutions enabling an easy way to take the most of market opportunities and a bunch of abilities and ten-

dencies to use such occasions, leads to the conclusion that the time limit of a complete and efficient market is determined by autonomous transformation processes. Acceleration of the controlled transformation processes would be justified and possible only then, if the autonomous processes also accelerated as a result of mutual influence.

It is worth mentioning that a process of learning new things is highly complicated. All rapid changes usually disrupt this process, by limiting people's ability to comprehend them and perceive as rational choice. The above mentioned limitations were the result of the adoption of conservative approach and reluctance to risky decisions, which delayed the modernization process. Large accumulation of changes within a short period of time could lead to social rejection of such changes because it would be connected with sudden concentration of losses and costs. In order to prevent such scenario it was necessary to work out a strategy including appropriate order of implemented changes.

The 'gradual' approach basing on implementing gradual changes should be subordinated to natural linkages with autonomous processes and their dynamics. What is more, one had to take into consideration time differences of realization of particular elements of the controlled transformation processes.

Deregulation (economic liberalization) was the one that could be implemented within the shortest period. It comprises, however, a great number of undertakings, such as: elimination of restrictions and distribution, deliberating prices on commodity, service, financial and labour markets, as well as liberalization of foreign trade. At that point it needs to be emphasized that the deregulation process has to be accompanied by an adequate stabilization policy due to their far-reaching influence on monetary sphere.

The institutional changes may be initiated in a relatively short time by eliminating previously adopted economic legislation and passing instead a legislative package which establishes market economy. It seems as if it was not a complicated process – but only theoretically. In reality, there arises a problem with finding competent experts and politicians, who would be able to stand up to the pursuit of undue advantage [rent seeking], which is an indispensable element of country's regulatory economics [Kamiński, Kamiński, 2004]. Moreover, one may in no way avoid delays of decision, legislative and executive processes, which, in case of a democratic system, are subject to risk. Adaptation of solutions to that problem that have been functioning in other countries could reduce the time needed for preparation of a suitable legislative package, whereas the institutional changes characteristic for a new economic order (in the sense of popularization of market heuristics) take place in the next generation.

Internalization of external norms is in turn a highly complex process, which, in conditions of crisis of confidence in state, meets lots of difficulties on its way. In a situation when the social costs of institutionalization are high and there is no tradition of a rule of law, one should take into account that there will be a problem with exercising law and therefore it will demand constant amendments.

Therefore, the institutional modernization is subject to a great number of difficulties, which may prolong the time of the whole process, and in some cases may lead to the occurrence of barbaric form of capitalism, which is in opposition to modernization based on the rule of law or over-institutionalized capitalism damaging the freedom of choice and economic efficiency, and enabling discretion of public administration. Nonetheless, the most significant problems arising from shock transformation refer to escalation of social issue, such as high unemployment rate and the percentage of people excluded from the modernization processes. In case of Poland, an important factor triggering the social costs of systemic transformation was the shock therapy resulting from a too radical stabilization program. Accelerated reinstitutionalization has resulted in the resistance of the beneficiaries of unfinished reforms to the social market economy. That is why the question arises from lessons learned from past mistakes in the process of building a market economy. Current attempts to integrate excluded by the mistakes made in the current process of marketization and democratization of the state are justified. However, the open question remains procedural issues. The solution of these problems in the conditions of internationalization of the economy and the present challenges and threats of development of the European Union is extremely complicated. The precondition for the success of these reforms is the proper identification of these problems and respect for the internal as well as external determinants of effective reparations of democratic political order and mechanisms for the smooth functioning of the economy. Institutional reforms focused on limiting the ineffective and ineffective decisions of all operators, eliminating rent seeking, improving the functioning of a fair state that reinforce corporate social responsibility are of particular importance. Their final effect should be a constitutional economic order agreed in an open public debate for all public groups. The subject of this debate should be oriented towards the conditions of building a knowledge-based and innovation-oriented economy that enhances the quality of life in all spheres of human existence and activity¹⁴.

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¹⁴ See more about it: [Woźniak et al., 2015].

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Summary

The article compares the characteristics of state and market-driven coordination. It derives from them the need to return to capitalism. The author describes the role of the state in the process of market liberalization of the centrally planned economy, the dilemmas of state modernization,

the problems emerging from the overstressed dynamics of the transition to the market. Against this background, the main features of Polish transformation have been described and the mistakes made have been identified. The author also answers the question of whether the choice of an alternative model of capitalism was possible than that proposed by the Washington consensus. The author postulates the use of the conclusions of the critical analysis of the Polish way of transformation in the new wave of reform of the economy and the functioning of the public sector in Poland.

Keywords: Polish economy, transformation, economic history

Lekcje z polskiej drogi transformacji

Streszczenie

W artykule porównano cechy koordynacji kierowanej przez państwo i rynkowej. Wywodzi się z nich konieczność powrotu do kapitalizmu. Autor opisuje rolę państwa w procesie urynkowienia nieprywatnej gospodarki centralnie planowanej, dylematy modernizacji państwa, problemy wyłaniające się ze zbyt forsownej dynamiki przejścia do rynku. Na tym tle wskazuje na główne cechy polskiej transformacji oraz popełnione błędy. Podjął również próbę odpowiedzi na pytanie, czy możliwy był wybór alternatywnego wzorca kapitalizmu niż postulowany przez konsensus waszyngtoński. Autor postuluje wykorzystanie wniosków płynących z krytycznej analizy polskiej drogi transformacji w nowej fali reformowania gospodarki i funkcjonowania sektora publicznego w Polsce.

Słowa kluczowe: gospodarka Polski, transformacja, historia gospodarcza

JEL: P00, P11, P21