

# MARKET ECONOMY IN POLAND

A history

Tadeusz Włudyka

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MONOGRAFIE

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Publikacja dofinansowana przez Katedrę Polityki Gospodarczej Uniwersytetu Jagiellońskiego

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POLSKA IZBA KSIĄŻKI

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Wolters Kluwer SA, 2016

ISBN 978-83-264-9102-3

ISSN 1897-4392

Dział Praw Autorskich  
01-208 Warszawa, ul. Przyokopowa 33  
tel. 22 535 82 19  
e-mail: [ksiazki@wolterskluwer.pl](mailto:ksiazki@wolterskluwer.pl)  
[www.wolterskluwer.pl](http://www.wolterskluwer.pl)  
księgarnia internetowa [www.profinfo.pl](http://www.profinfo.pl)

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# Introduction

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In countries with a tradition of a free market economy going back more than one hundred years, both public opinion and the economic policy of subsequent governments focus on pragmatic continuity. Changes or corrections are reduced to the necessary minimum. Further, any such change in economic policy is mainly the result of democratic elections and not that of unusual events of far-reaching, unpredictable consequences, such as wars or crises. However, this scenario is rarely found in countries with a much shorter market economy history, as is the case of Poland.

In 1918, Poland regained its independence after 123 years of not having had its own state. Twenty years later, in 1939, the country was, once again, attacked and occupied by two powers: Nazi Germany and the Soviet Union. As a result of these two invasions the young Polish state was plundered of its most valuable resources, both human and material. Following the Second World War, Poland's fate was written into the new global political order and the ideological divisions of Europe. The effects of the invasions and post-war political events lasted for over forty years until 1989, when the process of transformation towards a market economy began once again. This event consequently marked the beginning of a new period of a free-market economy in Poland.

This book presents the history of Poland's economic development in two periods: the interwar period and the period that followed the collapse of communism. The periods under study came in the aftermath of historic events characterised by massive human and material losses, the First and the Second World War. Only two twenty-year periods which can be said to feature market economy mechanisms in Poland, as prior to 1918 there had been

no Polish state, and the period between 1950 and 1989 was marked by a socialist economy. Such a state of affairs was caused by both “bad geography” and the post-Yalta political “order”. Both periods have also generated many heated discussions on issues related to the economic system and the state’s economic policy.

Despite many similarities, and also some resemblance to other Central European countries, these two periods were marked by some significant differences. First, during the interwar period the greatest challenge that the newly independent Polish state faced was how to merge together three separate units which, since the late 18th century, had belonged to three great powers: Russia (the Russian Partition), Prussia (the Prussian Partition), and the Habsburg Empire (the Austrian Partition). Not surprisingly, in the aftermath of the First World War, all organisational and legal activities of Polish authorities became focused on bringing these three parts together in regaining independence. However, during the second decade of this period in the 1930s, subsequent Polish governments faced with external military threats shifted their priorities towards strengthening the state’s military potential. This shift in priorities, nonetheless, did not mean giving up on a free market economy.

Second, unlike the interwar period, the period marking the transition towards a market economy which started in the last decade of the 20th century, took place in a very different context. Poland in the 1990s was a state with an already established geographical territory and characterised by the dominating (obsolete and deteriorating) role of the state and state property.

Significantly, in both of the analysed periods (1918–1939 and 1989–2009), the process of change, at least doctrinally, was initiated based on the assumptions of economic liberalism and a belief in the freedom of economic activities (free market). Additionally, although for different reasons, both of these periods can be characterised by an increasing involvement of the state in the economy, either in the form of interventionism in the case of the former or by means of a solidarity-based state policy (with some elements of state interventionism) in the case of the latter. This statement is clearly a generalisation, unavoidably fraught, but justified taking into account the consequences at the macro scale: political, social as well as economic.

Paradoxically, despite having only twenty-odd years of experience with a market economy, Polish economic thought of the interwar period is still very little known, even among Polish economists. This is quite surprising given that both of the discussed periods were marked by heated debates over the state's economic model and the role of state property. Overall, these debates reflected differences between three economic doctrines: liberalism, interventionism, and nationalism. Two of them, liberalism and interventionism, generated significant controversies. Liberalism fell victim to numerous accusations (especially in the aftermath of the Great Depression), for instance of being anachronistic, while interventionism was criticised for its strong belief in the active role of the state in the economy. In Poland its opponents included two main groups – liberals and private enterprise. The first group became known as the “Kraków School”. It was led by professor Adam Krzyżanowski of the Faculty of Law at the Jagiellonian University, which came to be recognised as the main academic centre of liberalism in Poland and propagated values such as economic freedom, a limited role of the state in terms of ownership, and an overall neutral economic policy of government. The second group, known as *Lewiatan*, was made up of different factions connected with private capital. *Lewiatan* members pointed to the poor performance of state-owned industrial enterprises and the effect of state investments “pushing out” capital from private markets.

The most prominent representatives of state interventionism during Poland's interwar period were the First Economic Brigade (*Pierwsza Brygada Gospodarcza*) and the National Economy Club (*Klub Gospodarki Narodowej*) led by Stefan Starzyński and Eugeniusz Kwiatkowski. Their beliefs were, however, heavily criticised from an anti-liberal perspective by the right-wing nationalist movement. The movement known as the National Democracy (*Narodowa Demokracja*) was undoubtedly the strongest political player of the interwar period, espousing an anti-interventionist while also a strongly anti-liberal programme. This movement was also diverse; it was made up of different sub-groups, including the “old” and the “young”, as well as groups representing the Christian democratic thinking of the Catholic Church, who, despite their support for the idea of social solidarism, were against state ownership. In turn, there were also groups with very different ideas, which could be broadly defined as left-wing and which became implemented in post-war communist Poland, starting in 1948.



The second period that will be discussed here begins in the breakthrough year of 1989. Discussion focuses on the aftermath of political events that took place in Poland and other countries of the former socialist bloc. This period is characterised by many economic, political, and social changes that have taken place in Poland since then and are the result of a system transformation towards a market economy.

Neither period can be described as perfect, albeit for different reasons. While recognising the differences between the two periods, they are worth comparing, bearing in mind the old adage that “nothing happens twice”. There is an important question that arises: whether the second of the analysed periods, unique due to Poland’s membership in the European Union as well as the progressing globalisation, will see market tendencies reinforced or the opposite – rational attempts to restrict them. Unfortunately, a complete answer to this question remains to be seen.

Sincere thanks for the translation go to dr Iwona Reichardt and for the correction and editorial comments to Maria Rolong from the Catholic University of Washington.

## Chapter I

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### **Poland's market economy in the interwar period (1918–1939)**

#### **1. Doctrinal discussions**

As previously stated, the Polish nationalist movement (National Democracy) of the interwar period played an important role in the country's political life. In the 1930s, the nationalist movement attracted a significant number of members of the political opposition. Consequently, the movement had an electorate to be reckoned with and a relatively broad sphere of influence. The history of this movement is thoroughly documented in available historiographic sources including numerous memoirs and biographies published outside Poland after the Second World War. However, in academic research, which focused primarily on the political programmes and parliamentary activities of the interwar period, there seems to be a noticeable gap when it comes to nationalist economic thinking, especially in the broader context of the 1930s economic doctrines.

It is also worth noting that, while the political programme was clearly the work of the movement's leader, Roman Dmowski, the development of a comprehensive economic programme became a special endeavour of the nationalist elite. The ideological foundation of the economic thinking of the nationalist movement was first formulated in the 1920s. It was the work of two brothers, Stanisław and Władysław Grabski, who later (Władysław in mid-1922 and Stanisław Grabski in 1926) focused on either political or academic work and distanced themselves from party life. The key national democratic ideologue then became Stanisław Głąbiński. Another well-known Polish economist, Edward Taylor, shared the ideologies embraced by the national democratic movement. Nonetheless, Taylor,

who became known as the founder of the Poznań School of Economics, never engaged in politics.

At the end of the 1930s, a new generation of activists – the “young” – emerged from the nationalist movement and enlisted the strong support of the movement's leader Roman Dmowski. The “young” group became very active, both politically and in terms of writing (also for the press) and soon outperformed the “old”. The only person from the “old” team who kept up with the “young” in these areas was Roman Rybarski, head of the so-called “professors’ group”.

Overall, although the nationalist movement (National Democracy) may have had significant political power in interwar Poland, it clearly did not develop a uniform economic programme. Growing tensions between the two groups (the “old” and the “young”) often led to differing opinions and positions among their members regarding economic policy.

While the “old” were careful in formulating their economic programme, the “young” were convinced that any and all problems in the area of economy can only be resolved by eliminating liberal and communist economic ideas and implementing nationalist principles. The internal conflicts within the nationalist movement which continued throughout the 1930s, numerous sources suggest, not only weakened the movement's position but also led to the emergence of two different and competing economic models within the movement by the second half of the 1930s.

The “old” team's programme was authored by professor Roman Rybarski, while Adam Doboszyński represented the “youth”. However, despite some clear, doctrinal differences, all programmes formulated within the nationalist movement shared the same characteristics and can thus be described as nationalistic, chauvinistic, totalitarian and clearly fascist.

In analysing the doctrinal discussions of the 1930s, it is especially important to keep in mind the views of Roman Dmowski, who was the leader of the National Democracy and who, while rising above the formal divisions of the nationalist camp, enjoyed the support of the “young” (especially Jędrzej Giertych and the National Radical Camp-Falanga). Further, to objectively assess the economic policy of the “young” nationalists, it is important to take

into account the writings of Adam Doboszyński. Doboszyński was regarded as a very controversial figure, but after the publication of his *Gospodarka narodowa* (*National Economy*) in 1934 he became publicly recognised as the author of the nationalistic programme. In less than five years, Doboszyński's book was reprinted three times, and became a must-read for anyone interested in nationalist thinking. Its publication ignited a lively debate, especially in the opinion media which, characteristic of the interwar period, engaged all political groups and fractions. In 1945, Doboszyński published his book one more time, but this time in London as *The Economics of Charity*. In terms of economics, Doboszyński's London edition reveals greater maturity in comparison with the original editions published in Poland in the interwar period, as well as incorporating the body of European thought on state interventionism in the market economy. Further, *Gospodarka narodowa*'s original interwar editions caused quite a stir at the time and sparked diverse reactions, ranging from total criticism to full affirmation. However, after the Second World War Doboszyński's views, especially those referring to political systems, became almost completely obsolete.

Moreover, a complete analysis of the economic thinking of Polish nationalists in the interwar period must include other publications of the mid-1930s. Such works include Roman Rybarski's *Podstawy narodowego programu gospodarczego* (*Foundations of the Nationalist Economic Programme*) published in 1934 and *Program gospodarczy* (*Economic Programme*) published in 1937. Another important publication, regarded as a semi-official programme of the nationalist movement, was Jędrzej Giertych's *O wyjście z kryzysu* (*Towards Ending the Crisis*) published in 1938.

The purpose of this analysis is to show the relationship between the Polish nationalist programme of the interwar period and the economic thinking rooted in the social teachings of the Catholic Church, which included ideas of solidarism, ordoliberalism (with its economic practice in the form of a social free market economy), as well as other ideas of economic justice and economic morality. To acknowledge this relationship, please note that the ideas of "ordo", meaning the natural economic order, just like the idea of solidarism, can be traced back to the philosophy of St. Thomas Aquinas, whose elements can also be seen in the thinking of both nationalists and Christian democrats.

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In countries with a tradition of more than one hundred years of a free market economy, both public opinion and the economic policy of subsequent governments focus on pragmatic continuity. Changes or corrections are reduced to the necessary minimum. Further, any such change in economic policy is mainly the result of democratic elections and not that of unusual events of far-reaching, unpredictable consequences, such as wars or crises. However, this scenario is rarely found in countries with a much shorter market economy history, as in the case of Poland.

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The publication is addressed to academics, doctoral candidates and students.



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ISSN 1897-4392  
ISBN 978-83-264-9102-3



CENA 99 ZŁ (W TYM 5% VAT)