De internationale politieke economie van transformatie
van der Bijl, Niels

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Summary

The fall of communism in Poland in 1989 paved the way for democratisation and economic reform. Supported by the international community the government of Tadeusz Mazowiecki initiated an ambitious reform program to transform the centrally planned economy into a free market economy. This program aimed at stabilising the economy, liberalising trade and prices and adjusting the economic institutions to a new economic reality. The plan also aimed at restructuring and privatising most medium-sized and large state-owned enterprises. Despite being greeted with great enthusiasm, Polish reformers were quickly confronted with a number of obstacles that prevented the speedy implementation of the reform plan. One of these obstacles was the bad economic situation most state-owned enterprises were in. Years of bad management had left a large number of enterprises virtually bankrupt. They produced goods for which there was hardly any demand, used outdated production methods and employed too many workers. It was clear that even after far-reaching restructuring most of the 8500 registered Polish state-owned enterprises would not survive the competition of the free market. The Polish workforce saw itself threatened by mass redundancies.

Facing strong opposition from the Unions successive Polish governments encountered great difficulties in formulating and implementing a coherent privatisation policy. By effectively lobbying the parties in the Sejm, the Unions managed to postpone the start of the privatisation process. Only by offering concessions was the Mazowiecki government able to put in place the legal framework needed for the start of the privatisation process. The result of all this political wrangling was that Polish privatisation policy became characterized by a multitude of methods. This in sharp contrast to the Czech Republic and Hungary were reformers managed to formulate and implement a coherent privatisation policy with relative ease.

The difficulties encountered by Polish reformers in formulating and implementing a coherent policy on privatisation has fuelled fierce debates amongst academics. In these debates much attention has been drawn to the role of interest groups in the Polish transformation. Some have argued that rent-seeking by special interest groups has had a detrimental effect on the privatisation process in Poland and the functioning of privatised enterprises under the new system. Others have pointed out that the actions of special interest groups – i.e. the unions – have had a positive effect on the restructuring process by postponing the introduction of competition. Seeking to contribute to the debate, this study analyzes the role of insiders in the formulation and implementation of privatisation policy in Poland from the perspective of International Political Economy (IPE). The main research question is: to what extent can the
influence of insiders on the privatisation policy of successive Polish governments in the period 1989 – 1997 be explained by the International Political Economy (IPE) of collective interests?

Outline of the book

The study is conducted on the basis of a theoretical framework based on IPE-theory. Within this academic discipline the interaction between economic and political developments on various levels-of-analysis are studied in a coherent way. Based on public choice theory and neo-institutional economics a basic model of political decision-making is presented. This model links interest groups and political institutions to a particular policy outcome. To adapt the basic model to the situation of Poland at the beginning of the 90’s, the European Community is added to the model. The adaptation ensures the framework of analysis fits neatly into mainstream-IPE.

The book is divided into three parts. The first part broadly describes Polish privatisation policy. The second part, studies the effects of political-institutional instability on the influence of insiders on the policy formulation. The third part analyses the role of the European Community in the Polish privatisation process.

The Polish privatisation policy

The first part of the book seeks to answer the question what the most important characteristics of Polish privatisation policy were. By describing the measures implemented by successive governments insight is given into the various actors and political institutions that were involved in the formulation and implementation of this policy. Furthermore the dynamics of the privatisation process are demonstrated.

The first chapter looks at the political, economic and social consequences of forty years of socialism. By studying the historic-contextual dimension of the transformation process the so-called ‘legacies of socialism’ are identified. The chapter discusses the various acts that formed the legal basis for the nationalisations of the forties and fifties. Next, the numerous attempts at reform during the period 1956-1987 are described. Finally, the consequences of the phased transition of power in the period 1988-1989 are discussed. The chapter concludes that the history of communist Poland is characterised by three so-called ‘succession cycles.’ These cycles of political succession are partly responsible for the three most important legacies that confronted reformers after the fall of communism: the strong legal position of insiders in Polish state-owned enterprises, the public outcry over the nomenklatura-privatisations that took place at the end of the 1980s, and the consequences of the phased transfer of power.
The first chapter of this book functions as a stepping stone for the second chapter. In this chapter the privatisation policy of the seven governments that ruled Poland during the period 1989-1997 is discussed. Special attention is paid to the ideological background of the governing coalition, the legislative acts it introduced, and the implementation of existing privatisation policies. The chapter concludes that insiders – through the political parties in the Sejm – managed to effectively frustrate the start the privatisation process for a number of years. Only after the Suchocka government in 1992/93 actively engaged civil society could successive governments publicly question the veto on privatisation matters held by insiders. The fact that the de facto abolishment of this veto took place under a governing coalition led by former communists should be considered a historical irony.

Political institutions and the clash of interest groups

The second part of this book answers the question which effect the political-institutional instability has had on the ability of insiders to influence political decision-making on privatisation. In total the second part comprises four chapters. Three of these chapters are case studies. They feature the most important privatisation acts that were passed by the Sejm in the period 1989-1997: the Privatisation of State-owned Enterprises Act of 1990, the National Investment Funds and their Privatisation Act of 1993, and the Commercialisation and Privatisation Act of 1996. These acts were adopted in three legislative periods, were initiated by different governments and signed by different presidents. The third chapter presents a research design in which North and Weingast’s thesis – that the degree of centralisation of public decision-making determines the success of rent-seeking activities of interest groups– is operationalised. After identifying a number of structural characteristics of the Polish political system, three propositions are formulated that are used in the comparative analysis.

The results of the comparative analysis warrant three conclusions. First of all the numerous changes in the Polish electoral system in the first years after the fall of communism enabled insiders to hang on to their veto in privatisation matters. Fragmentation of the Sejm, in particular during the period 1991-1993, made it difficult for successive reform-minded governments to force a decision on this issue. Secondly, the process of coalition formation appears to have only marginally strengthened the position of insiders. Even premier Oleksy, whose government was supported by two thirds of the Sejm, was forced to seek support outside his governing coalition. Interestingly the analysis of the three case studies revealed that all three privatisation acts were finally passed by a coalition of reform-minded liberals and former communists. The third conclusion is that the ongoing political battle between the cabinet and the president reinforced the position of insiders in the decision-making process. Contrary to
what one would expect this was not directly related to the practice of *co-habitation*. No matter which political colour of the prime minister, President Wałęsa proved to be an important source of political-institutional instability during his time in office. This changed after Aleksander Kwaśniewski was elected as president.

*The international community and the Polish privatisation policy*

the third part of this book answers the question to what extent the European Community managed to be an ‘anchor of reform’ for the privatisation process in Poland. This question is considered to be relevant in the light of the dominant view in the enlargement discourse. In this vision the European Community is considered to have acted as an ‘anchor’ for reform in Central and Eastern Europe. The first two parts of this book cast doubt as to the validity of this view in the case of the privatisation process in Poland. The formal steps that Poland undertook towards achieving full membership of the Community are divided into three phases. Depending on the phase the EU could use a number of instruments to influence government policies in the candidate countries. It has been demonstrated that the degree to which these instruments were effective was closely tied to the membership perspective. For a long time after the fall of communism it was unclear what the Community wanted with the political dialogue it initiated with Poland. This unclarity made the instruments the European Commission could use to anchor privatisation policy less effective than they could have been. The acknowledgement by the Copenhagen European Council in 1993 that Poland could one day become a full member of the Union did not change much in this situation.

Apart from the limited effectiveness of the instruments used by the European Community, chapter seven shows that the Community on the whole was very cautious to formulate demands with respect to the privatisation of state-owned enterprises. The main reason for this was that within the Community itself property rights belongs to the competencies of the member states. This division of competences caused the European Commission, the main instigator of the enlargement process, to be very cautious to venture into the property rights systems of the candidates. There was only one moment it did: its elaborate *Advis* on start of accession negotiations with Poland.

*Conclusions of the book*

From an IPE-perspective one expects that Polish privatisation policy can be explained from the structure of the interest group constellation, de characteristics of the political institutions, and interaction between the various levels-of-analysis. This book concludes that this is the case.
Interest groups, particularly insiders, have strongly influenced the formulation of privatisation policy in post-socialist Poland. The same goes for political institutions. There are, however, a number of idiosyncrasies of Polish privatisation policy that cannot fully be explained by the model that was used in this book. For example the timing of the various legislative acts. Even if one takes into account the role of the European Community it is difficult to explain the exact timing.