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The Economic Agenda of the Polish Round Table 15 Years Later: Lessons for the Future

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Summary

Fifteen years ago, on April 5, 1989, after two months' negotiations between the coalition government and the Solidarity-led opposition, the Round Table agreements set in motion the transformation process. Today, Poland is on the eve of a landmark event – the accession to the European Union, as of May 1. These two occasions are intimately linked. There would be no Polish membership in the European Union without the Round Table talks. In this context, some vital questions need to be addressed. Did Poland take full advantage of the opportunities for socio-political transformation and economic development opened up by the Round Table agreements? What conclusions follow from the experience of the past 15 years for the formulation of a transformation strategy and socio-economic policy that will allow us in the coming years to take advantage of the new opportunities, especially those presented by Poland's membership in the European Union, to the fullest extent possible?

The main function and rationale of the systemic transformation launched in Poland in 1989 was to create favourable conditions allowing our country to join mainstream civilization and advance from the periphery to the center of global development and progress. Poland, which has been left behind the most developed European countries in terms of its civilizational and economic level for several centuries, has repeatedly attempted to break the vicious circle of backwardness. Such was the idea behind the initiatives of H. Kołłątaj and S. Staszic, the illustrious figures of the Polish Enlightenment, the endeavors of K. Drucki-Lubecki and a whole assemblage of 19th-century Positivists, or the activities of E. Kwiatkowski between the two World Wars; such was also the main mission of socialist industrialization, pursued by the People's Republic of Poland. All these efforts contributed to progressive transformations of our country. However, none of them succeeded – whether because of external conditions or internal socio-political, ideological and the like factors – in achieving their principal goal. Only at the beginning of the 21st century does Poland have a historic chance to move from civilization's periphery to the center.

1. Public opinion about transformation

In January 2004, COBOS published the results of a nationally representative survey, consisting of two questions about the transformation. The results were surprising (Prześląd, 2004). Answers to question one: "Looking back, was it worthwhile to change the system in Poland 14 years ago?" were distributed as follows: definitely yes, 27%; probably yes, 29%; definitely no, 13%; probably no, 19%; hard to say, 12%. Thus, while 12% of respondents were undecided, a majority (56%) answered in the affirmative and a minority (32%) in the negative.

The distribution of answers to question two: "Have the changes in Poland since 1989 brought more benefits than losses to the people?" was different. As much as 42% of respondents said the systemic transformation had brought more losses than benefits, 6% saw only losses, 20% noticed more benefits than losses, 1% only benefits, 25% perceived as many benefits as losses, and 6% ticked the "hard to say" box. Thus, in the aggregate, the view that the transformation has brought more losses than benefits to the people clearly prevails (48%). Only 21% of respondents concluded that the transformation had produced more benefits than losses.

An explanation of the prevalence of negative assessments made in response to question two, vis-à-vis the domination of affirmative answers to question one, must necessarily take into account the multifaceted character of the transformation process in Poland after 1989. Of special importance in this context are changes in the political system and the shift to market economy.

The democratization of political life, introduction of civil liberties and the rule of law, opening up to the world, new shape of foreign relations etc. – these are significant advantages warranting an approval of the system change 14 years ago.

The assessment of the condition of the economy, the material welfare and social security of the people is a different story. At this level, disillusionment with the transformation dominates. Such advantages as remarkably well-stocked shops, a stable and convertible zloty, the abundance of modern appliances in the households, economic liberties and free enterprise, a considerable increase in university enrollment, unimpeded foreign travel etc. are overshadowed by high unemployment, the spread of poverty and social exclusion, blatant disparities, going beyond the European standards, in the level of wealth in society etc.

The main question is whether the shortcomings of the transformation in its socio-economic aspects were caused by the fundamental assumptions behind the Round Table

agreements or, rather, by the failure of subsequent governments to respect their provisions. Or were they perhaps inherent in the transformation process itself?

2. The economic agenda of the Round Table

In the course of preparation of the Round Table talks, the opinion was voiced in various circles that the negotiations between the government and the opposition should be restricted to political and labor issues. Could the Round Table really have succeeded without tackling the socio-economic sphere? Probably it could. Such an arrangement might even have facilitated and accelerated the process of reaching agreement. But it was finally decided that the agenda should be broader, encompassing such issues as the new economic order, social security and the protection of society against the impact of the systemic transformation. The point was that the political agreement and the envisaged parliamentary democracy needed solid foundations in the form of an economic order which empowered the labor (through workers' self-government) within a market system and protected the social interests of employees.

The official document, entitled "Position Statement on Social and Economic Policy and System Reforms" set out – putting it very briefly – the following objectives and directions of the socio-economic transformation, which can be thought of as the main economic agenda of the Round Table (Baka, 1999):

(1) **The formation of a new economic order, designated as social market economy, based on a pluralistic ownership structure, labor self-government and participation**, the development of enterprise and competition, and uniform principles of financial policy, applicable to all enterprises, regardless of their ownership form.

(2) **Dynamizing the economy** by stimulating structural changes and increasing efficiency, facilitated by the abolition of monopolies in the economy, the removal of barriers to organizational development, and the formation of competitive markets, as well as the elimination of permanently inefficient enterprises through stricter economic criteria and simplified bankruptcy proceedings.

(3) **Curbing inflation and the attainment and maintenance of economic equilibrium** through a considerable reduction of budget outlays on state administration, a ban on the financing of budget deficit by central bank's loans, the activation of non-inflationary sources of deficit financing (lease and sale of state property, issue of treasury bonds), and the introduction of a sound deposit and credit policy, based on the principle of positive real interest rate.

(4) **Overcoming the barrier of external debt and orientation on the convertibility of the zloty** so as to increase Poland's share in the international division of labor in order to stimulate growth and modernize the economy.

(5) Respect for the **principle of full employment and labor protection**, to be safeguarded, in the first place, by the obligation imposed on the state to foster the creation of jobs in sufficient numbers. It was nevertheless stressed that this did not put the state under an obligation to provide employment for everybody in a chosen profession and place.

(6) Inclusion of system mechanisms of **social protection** against the impact of market reforms and increasing prices.

(7) Providing **management selection mechanisms in the economy based solely on substantive factors** (skills, professional experience, abilities), to the exclusion of political criteria.

Realizing that, under the circumstances, there was no conflict-free way to protect the interests of labor against the increasing cost of living resulting from the price corrections

necessary to balance the markets, the parties agreed that the policy to prevent the decline of average real wages under high inflation should take into account the following:

- the need to ensure the social security of employees;
- the necessity to move successively towards market economy;
- the opportunities to create incentives for employers as well as employees;
- the autonomy and self-financing of enterprises.

It was deemed necessary to set up universal mechanisms providing for the indexation of base salaries and other wage components. It should be noted that the scope and scale of wage indexing were the subject of a heated dispute between the government and Solidarity, strongly supported on this issue by the delegation of the All-Polish Trade Union Alliance (OPZZ). The labor representatives demanded and pushed through an excessive indexation factor of 0.8. Similar controversies surrounded the debate on the labor protection program, whose version proposed by Solidarity clearly contravened the principles of market economy. The demands of the Solidarity-led opposition as regards increasing social benefits, particularly in the areas of health service, ecology, housing etc., went far beyond the financial capacity of the state.

In order to prevent the Round Table process from stalling and, on the other hand, to adjust the practical implementation of the proposed solutions to the actual capacity of the economy, the last session of the Workgroup for Socio-Economic Issues and System Reform on April 5, 1989, a couple of hours before the signing of the final agreement, was devoted to formulating the executory provisions pertaining to the adopted arrangements. It was agreed that organizational and legal arrangements, as well as emergency measures (especially those connected with the protection of human life and health) should be undertaken immediately and completed within the time framework specified by the Workgroup and its Subgroups. In contrast, the implementation of those arrangements which required major economic outlays should be left to the annual plans and the multiyear National Socio-Economic Plan. It was also agreed that the government would periodically present the Sejm, Conciliatory Commission and public opinion with reports about the implementation of the adopted arrangements.

The “Position Statement on Social and Economic Policy and System Reforms” was one of the three main documents of the Round Table, alongside the agreements on changes in the political system and arrangements concerning pluralism and free trade unions. It should be stressed, however, that the socio-economic agreement was not just a contract between the government and the opposition, but a public obligation undertaken by both parties vis-à-vis society, regarding the principles and directions of change in the socio-economic sphere. Both parties declared their determination to implement the adopted arrangements in full, regardless of the results of the coming election. Such was the main rationale behind the wording of the Round Table documents which called upon society and the public opinion to supervise the implementation of the agreement.

3. Towards neo-liberal fundamentalism

The spectacular victory of Solidarity in the election of June 1989 came as a surprise to both the government and the opposition. The previous vision of the systemic transformation process was immediately rendered obsolete, yet neither party was prepared to the rapid pace of political change ushered in by Solidarity’s landslide victory. The situation, however, did not seem to affect significantly the socio-economic sphere, as it appeared to be safeguarded by the program espoused by Solidarity (both in 1980 and during the Round Table talks), which envisaged the building of a social market economy based on workers’ self-government. However, as soon as the opposition came into power, it immediately renounced the agreement on a new economic order. The arrangements concerning social protection, social security and

other issues of social policy were likewise disregarded. No one bothered to inform the Sejm and the public opinion, as stipulated by the Round Table agreements, about the fate of the adopted socio-economic program. Everything was done on the quiet. To this day no publication or statement has been issued by the new establishment to explain why this happened.

A considerable role appears to have been played here by the political factor, and especially the desire of the winners to make a clean break with the past. Under no circumstances were they willing to stick to the arrangements made with yesterday's partner, even if their implementation were to bring substantial benefits to society. However, the hitherto opposition had no alternative socio-economic plan. Torn by fundamental ideological differences – from the neo-liberal wing and the followers of the National Democratic tradition, to left-wing and syndicalist factions – it was unable to work out a program. An added dimension was the fascination of the Citizens' Parliamentary Caucus and Solidarity leaders with the "big bang" concept, advocated by some foreign experts, which would allegedly bring an immediate solution to Poland's economic ailments.

In November 1989, the new government presented its economic program. The main focus was on the stabilization of the economy, which was fully justified under the circumstances. With a raging inflation of 40–50 percent a month and a depleted market, no task could have been more urgent. The questions of system arrangements were put off. The debate about the direction the transformation should take went on, so to speak, underground. Meanwhile, it became a widespread notion that the task was to build a Western-type market economy. At cabinet meetings, Prime Minister Tadeusz Mazowiecki persisted in advocating the social market economy model. The usual reply was that we would be able to afford it when the economy picked up, which was only possible if the state stopped interfering with it. Workers' self-government was declared to be totally unfit to the principles of market economy.

On hindsight, it should be stressed that the policy of the first Solidarity government was largely consistent with the Round Table arrangements in two respects. First, it accorded priority to curbing inflation, balancing the economy and strengthening the currency, and, second, focused on overcoming the barrier of external debt.

As the second Solidarity government took over at the beginning 1991, transition to free market capitalism became the official creed. The transformation was now inspired by the Manichean distinction between good (private ownership, free market, middle class etc.) and evil (public property, state intervention, working class etc.) (Pajestka, 1991). The role of the state in the economy became diminished to the point of the absurd and the "invisible hand of the market" received so much praise that it gave rise to widespread concern even in Western European countries.

The overriding principle of the new economic order agreed upon during the Round Table talks was that of equality of all sectors, regardless of the form of ownership. The new government, however, invoking a misconstrued principle of creative destruction, discriminated against the state sector which, in conjunction with other factors, soon led many enterprises to bankruptcy and even caused the decline of entire industries (Poznański, 2001). The renunciation of the adopted principle of equality of sectors had a harmful impact on the whole transformation process. As a result of this shift, the State Treasury failed to exercise due care in fulfilling its functions as the owner of state enterprises. Another harmful consequence was a mistaken privatization strategy, which aimed to sell the best state-owned enterprises as soon as possible, without sufficient consideration to the situation on the stock market, which inevitably forced down the prices obtained, thus increasing the overall social cost of the transformation.

The transformation process, consisting in theory of three phases: stabilization, adjustment-related recession and expansion, deviated in Poland from an optimum course. The domination of the neo-liberal approach to economic policy led to excessive stabilization costs, in the form of a sharp drop in output and mass-scale unemployment, far beyond the projections.

4. Were alternatives available?

A critical assessment of phase one of the transformation (1990–1993) provokes the question whether transition to market economy would have been facilitated or hampered, had the Round Table arrangements been respected. Would the social and economic cost have been higher or lower in comparison with the variant implemented in practice?

There is no unequivocal answer to such questions, as they are always more or less hypothetical in character. It should also be noted that even strict adherence to the Round Table settlements would have required numerous adjustments, particularly in view of the rapidly changing economic situation in the autumn of 1989. (For instance, radical stabilizing measures had to take absolute priority in view of the raging hyperinflation.) With the benefit of hindsight, however, it is clear that the adoption of certain elements of the program agreed upon at the Round Table would have facilitated systemic transformation and reduced its social cost. Some examples are given below:

- A policy of equal rights and opportunities for all sectors of the economy would have forestalled the economic destruction and bankruptcy of numerous state-owned enterprises. A similar effect would have been attained by the implementation of the Round Table provisions stipulating the use of temporary, parametrically defined subsidies and charges to solve the problem of disparities in the economic standing of enterprises;
- The establishment of a National Wealth Fund, supervised directly by the Sejm, would have allowed better social control of the ownership transformation process, investing it with greater credibility and efficiency;
- An opportunity for enterprises to transfer to the National Wealth Fund their surplus assets would have facilitated the adjustment (allocation) of the factors of production to the new situation, resulting in faster structural changes and fuller use of the productive potential. It would also have improved the financial standing of state-owned enterprises.
- If the possibility and incentives had been provided to form employee-owned companies and to lease out enterprises, the spectrum of available ownership transformation options would have been wider, creating at the same time vested interest in more efficient utilization of production assets;
- Depoliticizing the economy and selecting managerial staff on the basis of substantive criteria (professional skills) would have prevented destabilization in many enterprises and industries, not without a positive impact on the overall economic performance.

In his study on the long-term development strategy for Poland, Z. Sadowski concludes that measures "... intended to maximize the pace of changes in Poland destroyed the existing mechanisms of economic growth and resulted in a profound regression." He proceeds to ask "whether a systemic change necessitates so much destruction, or can be based on an evolutionary replacement of the old mechanism, without interfering with growth processes." The author goes on to prove convincingly that a dynamic yet gradual reorganization of the system would have been far more beneficial (Sadowski, 1991). Such was the main assumption of the Round Table, too, in the most profound sense of the term.

As the transformation entered the next phase (1994–7), a radical change of course ensued, based on the “Strategy for Poland” formulated by Prof. G.W. Kołodko (Kołodko, 1994), which, in particular, correlated systemic changes with socio-economic growth policy. In contrast with the hitherto practice, the state assumed an active role, adjusted to the market economy conditions, in creating a favorable environment for economic growth, with a special focus on economic proportions and mechanisms stimulating output and efficiency, without aggravating income disparities – which, indeed, became alleviated (Kołodko, 2002). This strategy produced a true economic boom and significantly improved economic relations. GDP dynamics increased from 3.8% in 1993 to 6.9% in 1997, while inflation rate dropped in the respective years from 35.3% to 14.9%; unemployment rate from 16.4% to 10.3%; and public debt (as GDP percentage) from 86.0% to 50.7%. It was truly a golden period of the Polish transformation, without which GDP by the end of 2002 would still be below the 1989 level.

The late 1990s and the beginning of the next decade, when the Solidarity Electoral Alliance (AWS) was in power, were marked again by a significant decrease of growth rate and an accumulation of severe social problems, including a dramatic increase of unemployment, which reached 20% of the total labor force.

5. The blunders of transformation

On January 25–26, 2001, a Congress of Polish Economists convened. It was an important event, not only because of the well-chosen main subjects on the agenda (Does economic theory keep pace with reality? What is the right economic policy for Poland?), but also because the organizer of the Congress, the Polish Economic Society, created appropriate conditions for representatives of various trends and schools of thought to voice their views in public. What makes this aspect even more important is that since the beginning of the transformation, the Polish media (the press, radio, TV) restricted – generally speaking – the right to present views and assessments pertaining to both theoretical issues of economics and practical socio-economic problems in Poland and worldwide to selected institutions and persons who endorsed similar right-wing, neo-liberal ideas. The Congress made it possible, at least temporarily, to overcome this monopoly. The papers and opinions presented by the participants gave a much more complete picture of the real views of Polish economists on the transformation than provided by the media.

The main conclusion from the assessments presented at the Congress is that, except for the years 1994–7, serious mistakes were made in the transformation process in Poland. The following are deemed the most crucial of these (Drewnowski, 2001):

(1) An excessive reliance on the spontaneous dynamics of the transformation and the adoption of a “big bang” conception, based on the conviction that as soon as the central planning apparatus is dismantled, the new system will emerge spontaneously. It was a very harmful belief that, once the transformation was under way, the activities of state agencies should be curtailed, whereas in fact the role of the state needed a major overhaul and its involvement during the transformation process should have been even more intense and efficient.

(2) The expectation of automatic outcomes of the transformation process meant that various important institutional measures required to adjust diverse aspects of social life and sectors of the economy to market principles were neglected or delayed, as was also the case with specific regulations related to, for instance, the place and role of foreign capital in the economy. In the absence of such organizational and regulatory efforts, the economy fails to function properly.

(3) Serious organizational shortcomings occurred which compromised the idea of the transformation and institutional change. For example, no appropriate financing was provided

for the functions and tasks allotted to new institutions under the “four reforms” (especially in the field of health service, education and local government). In this way the fundamental principle of proportionality between the tasks/functions and means was violated.

(4) It was a cardinal mistake to forget that the main task of the new system was to improve the living standards of entire society. Such was the declared objective, which the electorate expected from the democratically chosen government to pursue. In actual fact, the mishandled transformation process led to massive unemployment, accompanied by unjustifiable disparities in living standards.

Furthermore, a methodological error was committed, consisting in disregard for the fundamental principle of praxeology, which holds that the first, crucially important logical step in the transformation should be to indicate precisely its intended outcomes. This called for a proper diagnosis of the situation and current circumstances, and reflection on the scope of necessary improvements – the type, time and ordering of measures needed to attain the adopted goals of the reform. This is precisely what was missing (Studnicki-Gizbert, 2001).

Although the external and internal factors affecting the situation of the Polish economy are fundamentally different today from what they were 15 years ago, it is important to take account of the experience of the transformation – in its positive as well as negative aspects – and, especially, to draw conclusions from past mistakes, in order to formulate a programmatically sound and feasible development strategy for the next 15 years.

The recovery which started in 2003, after several years of stagnation, and accession to the European Union, create expectations of a rapid socio-economic growth in Poland in the 15 years to come, so that a majority of the Poles may declare in the future – in contrast to the current survey results – that the changes in Poland over the three decades between 1989 and 2019 have definitely brought more benefits than losses to the people. For this to happen, it is necessary to revise substantially many assumptions of socio-economic policy that have been viewed thus far as cornerstones of the adopted paradigm. This will also be necessary, if Poland is to take full advantage of its membership in the European Union, which is a precondition for the “connected vessels effect” to occur, equalizing the levels of economic development and allowing Poland to move from the periphery to the center of world civilization for good.

6. A new approach needed

The fundamental difference between the course of transformation agreed upon at the Round Table and the actual path of systemic transition in Poland consists in the fact that the former envisaged building a social market economy, whereas in actual fact, the transformation led to a shift to free-market capitalism, based on the neo-liberal doctrine.

Many people to this day keep pondering the question what was the reason behind such a change of weather. Looking back at this issue from a more distant perspective, one can hypothesize that, apart from internal factors, such Solidarity’s intoxication with its electoral victory and the desire to break loose from the Round Table arrangements, the most decisive factor was the domination of the neo-liberal doctrine in the West at that time.

Let us recall that after a period *laissez-faire*, when the role of the state in the economy was restricted to that of a night watchman, which ended in the Great Depression of 1929–33, the idea of state intervention (Keynesianism), which, incidentally, saved the capitalist system from self-destruction, gained the upper hand. After the Second World War, the position of the state in capitalist economies and the role of the welfare state were further strengthened.

In the mid-1970s, the capitalist system based on state intervention began to show symptoms of overregulation and faltering growth dynamics. The remedy took the form of a drastic reduction of the role of the state in the economy. In some countries (United States,

Great Britain), these measures did indeed stimulate growth, and globally they brought about the domination of the neo-liberal doctrine. It was precisely at that time (the turn of the 1980s) that systemic transformation was launched in Poland.

Currently, it is being ever more forcefully stressed that after a period of widespread intervention (overregulation of the economy), the pendulum swung too far in the opposite direction, towards neo-liberalism, which started to affect negatively society and the economy not only in specific states, but also worldwide (globalization). Emphasis is now placed on the need for a new approach to the role of the state in the economy, including, especially, the incorporation and adjustment of the experience and principles of social market economy to modern conditions. This is the course of action clearly followed by the European Union. The challenge for Poland is to reassess the ideas of its socio-economic policy in this spirit.

There are many reasons to believe that this will not be easy. Some “preemptive” publications have already appeared, recommending that Poland should oppose in various agencies of the European Union the extension – through the Community law – of the social arrangements typical of the leading western countries onto all members of the EU (Szomburg, 2004). Obstruction of a similar type has also been advocated in the context of the proposed initiative to promote within the Union the principles of employee participation in corporate governance.

As a rule, the formulation and implementation of a socio-economic strategy is accompanied, to use the term introduced to academic and public discourse by the eminent Polish economist, Prof. Czesław Bobrowski, by a “multitude of worthy aims” (Bobrowski, 1985). Their appropriate selection and prioritization relevant to the social needs and economic capacities is a hallmark of a government’s wisdom and a correct and effective socio-economic policy.

Prof. Jan Tinbergen, the winner (jointly with Ragnar Frisch) of the first Nobel Prize awarded in economics (1969) and founder of modern economic policy theory, whose works have had a powerful impact on the practice of governance in many western countries, claimed that an appropriate socio-economic policy should place equal emphasis on three fundamental goals: growth, economic equilibrium and social cohesion, because these three components are connected through positive feedback links. This means that weaker social cohesion implies poorer economic dynamics and deteriorating economic equilibrium – and vice versa (Tinbergen, 1960).

The degree of social cohesion depends on many factors, including, especially:

- scale of income and wealth disparities and their justification;
- unemployment rate and prospects of finding employment;
- scope, depth, persistence and hereditary character of poverty;
- scope of social exclusion phenomena;
- access to education and health service;
- provision of social protection by the state.

Let us recall that the Round Table agreements were largely intended to ensure social cohesion as one of the principal objectives of the systemic transformation, along with the market reforms in the economy. Afterwards, however, everything became dominated by the fundamentalist neo-liberal doctrine, while such notions as social equity, state intervention etc. were declared not just useless, but downright harmful. This inevitably affects economic growth, for global experience has already undermined the claim advanced by market fundamentalists that greater inequalities translated into faster economic growth.

Both theory and the historical experience of many countries indicate that under special conditions, for instance, during a financial or currency crisis, a natural disaster etc., the general socio-economic strategy based on the triple aim listed above needs to be supplemented with an extraordinary program intended to solve the most pressing problem. In

Poland today it is the problem of massive unemployment. Its enormous scale creates a real threat to the very foundations of the socio-economic order and the functioning of the state (rapid spread of social pathology and a risk of large-scale riots). As we were reminded by Prof. M. Kabaj, massive unemployment in 1929 came as a shock to the public, economists and politicians alike. Paul Samuelson – the future Nobel Prize winner – thus wrote about this period: “Economists were simply obsessed with the issue of full employment. And this is probably the way it should be. In times of contagion we do not bother to worry about a heat stroke or old-age ailments” (Kabaj, 2001). The widespread view that unemployment in Poland is mainly caused by demographic factors and that in the near future, as the demographic boom begins to subside, the situation on the labor market will automatically begin to improve, is wrong. This is an illusion, bearing in mind that between 1990 and 2000, the number of people in employment dwindled by 2 million – the number of jobs lost during those years. Those laid off joined the ranks of the unemployed.

It has also been noted that the recovery, which began in 2003, does not produce a growth in employment. This observation should be an incentive to review and, probably, verify the widely held belief that as the economic dynamics improves, unemployment rate will automatically go down. One should also take notice of the negative impact of massive unemployment in Poland on the attitudes of the European Union member states, which close access to their labor markets (often against their own previous declarations) to employees from new member states. All these circumstances justify the demand for a special unemployment reduction program to be prepared and implemented in Poland as soon as possible as an important part of the socio-economic strategy for the coming decade.

The strategy of socio-economic development for the next 15 years should strongly emphasize the acquisition of appropriate financial support for the development of the Polish economy from EU funds. This is closely connected with the issues of formulating and implementing the socio-economic strategy. Without attracting much attention, the National Development Plan (NDP) made its reappearance in Poland thanks to the European Union, for the European regulations in force stipulate that financial aid from the Structural Funds and the Cohesion Fund is available subject to the presentation of an NDP, drawn up by the government and adopted by the Sejm, as a precondition for negotiations with the European Commission on the amount, purpose and schedule of utilization of aid from this source.

The National Development Plan for 2004–2006 has been drawn up. The strategic goals set out therein, eligible for EU financial support on a priority basis, include faster development and increased competitiveness of the Polish economy, so as to ensure in this way employment growth and a higher level of social, economic and spatial cohesion.

Support financed from the Structural Funds and Cohesion Fund (oriented mostly towards infrastructure development and environmental protection) is conditional not only on the presentation of specific operation plans within the NDP framework, but also on the financing of ca. 30% of the cost of these projects from domestic funds.

Whether the plans outlined above are put into practice will depend in equal proportions on the final settlements on financial matters and on the organization, mode of operation and competence of the state agencies responsible for drawing up and implementing the NDP. The limited availability of domestic budgetary funds poses the threat of incomplete utilization of the Structural Funds placed at our disposal by the European Union. One should bear in mind, however, that no alternative ways exist of investing domestic funds that would offer an equally high rate of return as in the case of projects co-financed from the EU Structural Funds.

There are also grounds for concern – although for entirely different reasons – that the allocation and utilization of funds will not reflect the most pressing needs of the country. One should, namely, be wary of a tendency towards entering into the plan not only projects which

are vital for the attainment of the strategic socio-economic goals, but also ones which enjoy the support of powerful business and political lobbies that further particularistic interests of their own. It is, therefore, of paramount importance to ensure that, at all stages of utilization of EU funds, considerations of national-level selection, coordination and control correlate with financial, programmatic and technical projections in the context of specific sectors, regions and issues, as well as individual projects.

The implementation of the NDP for 2004–2006 does not bring this matter to a close. It should be expected that as the implementation of the Lisbon Strategy, the main objective of which is to make the EU economy the most innovative in the world, enters its final phase (2007–10), EU funding will be awarded on a priority basis to projects supporting Member States in achieving this specific aim. The greatest beneficiaries will be those countries which prove capable of generating and implementing scientific and technological progress, thus contributing significantly to the reorientation of the entire EU towards a knowledge-based economy. This is a great opportunity and a great challenge, which should be appropriately reflected in Poland's long-term strategy of socio-economic growth.

Summing up, the experience of the 15 years of transformation proves with absolute certainty the correctness of the fundamental assumption underlying the Round Table agreements: that in order to join mainstream civilization, Poland needs to introduce a market system with instruments allowing the economy to open up and participate in global processes. We also know what kind of problems and mistakes occurred in the pursuit of this objective. Both foreign and domestic experience indicates that the implementation of such a monumental task crucially depends on a sensible course of action at the level of the entire society, and in particular, on wise state governance, manifested especially through the creation of conditions to foster the progress of science and its application to the development of new methods of controlling the material world. For no country unable to contribute to a knowledge-based economy may attain an advantageous and lasting position in the international community.

The confrontation of these propositions, so well supported by global experience, with reality, has hardly turned out in favor of Poland thus far. For sensibility is hard to come by in a country where, like in Poland, the proportion of research outlays in the GDP has been drastically declining for many years. It is likewise difficult to see sensible actions and wise governance, when the atmosphere fosters and perpetuates an insane division of society. The politicization of life – seen, among other things, in the purges in government and local-government institutions or the supervisory boards of Treasury-owned companies, whenever a new faction comes into power (the notorious “It's our goddam turn” maxim promoted to the rank of a policy guideline) – marginalizes socially and professionally many excellent specialists who might otherwise contribute a great deal to the common good. Unless these tendencies are overcome, the transformation effort may turn out to be yet another failed attempt to move Poland from the periphery to the center of civilization, and the historic opportunity still open to our country may be wasted. This is an important memento, urging us to formulate a development strategy and a program of social and systemic changes for the near as well as more distant future.

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