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FOREWORD

Welcome to the second annual CREEB Conference on Central and Eastern Europe : Towards the New Millennium.

The dramatic and dynamic developments which have occurred since 1989 in the countries behind the so-called Iron Curtain continue to arouse the interest and enthusiasm of numerous academic researchers and business practitioners. The changing scene has been a stimulus both for theory and practice and much still remains to be done: an ossified system has given way to ongoing change and flux.

The original idea for the conference was to bring together a group of people interested in presenting and discussing their ideas on and interpretations of recent developments and the current situation. An open and constructive exchange of experiences, research results and opinions has much to commend it. The papers reflect a wide diversity of interests. Particular thanks are due to the authors of the papers, to the session chairs, to the keynote speakers and, last but not least, to the staff on campus who contributed to the organization of the conference.

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ADJUSTMENT POLICY AND ADJUSTMENT PROCESSES AT THE FIRM LEVEL

The discussion on the policy of transition from the socialist administered economy to the market system is dominated by the controversy between supporters of „big-bang” (or shock therapy) and proponents of an evolutionary approach. In the paper we will try to demonstrate that:

1. the „big-bang” policy (called here a radical stabilization policy) was necessary in specific Polish situation, but at the same time it was insufficient because it ignored (to a great extent) institutional and structural planes of the transition and was mainly focused on the macro level,
2. the evolutionary policy concentrated on the institutional changes is not an alternative to the stabilization (institutional changes are unfeasible or ineffective in a destabilized economy); It also neglects the restructuring problems.
3. a comprehensive and harmonized transition policy is needed to provide stabilization and institutional environment supporting market-oriented adjustments and to stimulate restructuring processes at all levels of the economic system,
4. during the advanced stage of the transition the critical point of the transition policy moves from the macro and meso levels to inducing micro and micro-micro adjustment processes.

„BIG-BANG” vs. EVOLUTION

The „big-bang” policy assumes:¹

- rapid stabilization as a result of price liberalization and restrictive monetary and fiscal policy,
- quick demonopolization, privatization and trade liberalization,
- spontaneous, automatic restructuring processes.

The „big-bang” concept stems from the monetarist doctrine, claiming that a removal of institutional barriers, blocking the equilibrium mechanism - accompanied by the control of money emission and balanced budget - will lead to a quick spontaneous reallocation of economic resources by the market mechanism. One should only expect a deep but short adjustment recession („cold turkey”).

It seems also that the „big-bang” recommendations are motivated by the fear that a slower pace of the changes will increase the risk of resistance and sabotage by the social groups privileged under „ancien regime”.

However the implementation of the „big-bang” concepts is connected with some serious dangers, namely:

- directed institutional changes at the macro level are difficult and time - consuming,

- the process of spontaneous institutional adjustments at the meso, micro, and micro-micro levels is even longer,
- an „institutional vacuum” can emerge,
- in the „institutional vacuum” the reallocation processes will be very slow - the released assets will not find an effective use; the restructuring will be replaced by a destruction,
- high and rapidly coming transition costs (decreases in production, reduced living standards, etc.) cannot be quickly compensated, in consequence negative social attitudes will grow up and undermine the transition,
- the „big-bang” concept do not provide stimulation and institutional support for growth and development processes.

The „big-bang” policy is clearly opposed by concepts of the institutional evolutionary policy²⁾. It is based on the preassumption that the market mechanism cannot function properly without grounded market institutions. Emergence of new and transformation of old institutions takes time. Market institutions in capitalist countries have been shaped for hundreds and tens of years. It does not seem probable that a mass privatization, quick demonopolization and deregulation will give desired institutional changes in a short time - especially at the micro and micro-micro levels.

The proponents of the institutional evolution recommend:

- gradual development of the institutional system of the market by creation of new market institutions, transformation of the institutions of the socialist economy and repairing of deformed institutions of the „socialist market”³⁾,
- careful and slowed-down stabilization policy,
- use of old socialist methods of controlling state-owned enterprise as complements to the monetary and fiscal measures (Clague, 1992a).

The institutional evolution cannot give quick and spectacular results. This can arouse social disappointment and reduce support to market reforms. It is also probable that old „dysfunctional” behaviors will be tolerated too long.

C.Clague (1992b) attempts to average and balance good and bad sides of the „big-bang” and institutional evolution in his „minimum bang” concept. The concept assumes:

- relatively quick implementation of a „minimal package” of institutional changes, namely:
 - a) legal infrastructure for the private sector,
 - b) tax system for the new private sector,
 - c) rules for the new financial sector,
 - d) clarification of property rights for real estate,
 - e) rules for foreign trade and exchange,
- quick macro-stabilization, accompanied however by a social „safety net”, financed by the state budget,
- gradual privatization started by a fast commercialization,
- restructuring of the financial system (release from bad debts, etc.)

The institutional evolution concepts are not treated as an alternative to the stabilization policy. Their proponents claim that institutional changes complete and strengthen stabilization processes. What is needed is a better synchronization of the stabilization policy and the institutional transformation policy⁴⁾.

However problems of restructuring, i.e. problems of adjusting the nature and allocation of resources of post-socialist economies to market requirements, are neglected by the both sides of the „big-bang” - evolution controversy. Restoring of the equilibrium and institutional transformation will not provide for an automatic structural changes. In the best case the process of spontaneous restructuring will be slow and costly.

A state intervention and directed restructuring of post-socialist economies is a potential and quite probable response to slowed down structural changes. Such intervention can undermine the stabilization policy, hinders creation and reconstruction of market institutions and enhances temptations to look for an illusory „third way”.

A focus on the macro and meso levels is the second common characteristic of the approaches represented by the supporters of the stabilization and institutional transformation policies. It seems that these approaches are based on the conviction that stabilization and institutional transformation of the national economy and partial markets will evoke spontaneous adjustment processes at the micro and micro-micro levels. We think that it is a naive and wishful thinking. In our opinion the micro-adjustment processes without any support and stimulation by the economic policy will be too slow and too costly.

TRANSITION POLICY IN POLAND - THE BALCEROWICZ'S PROGRAM

The Balcerowicz's Program means a package of radical changes in Polish economic policy, prepared by Leszek Balcerowicz and his collaborators in 1989 and implemented from the beginning of 1990. The Program represented a quite new approach to the regulation of the national economy. It should be remembered however that some market-oriented changes were initiated already during communist times. Following economic arrangements facilitated the market transformation (Gorynia, 1995):

- domination of the private sector in agriculture and a considerable role of private businesses in trade, handicraft, consumer services, transportation and construction industry,
- liberal conditions for start-ups - in 1989 most of the administrative entry barriers were removed,
- relatively adequate level of the exchange rates (due to deep devaluations in 1989).

Five general directions of the Balcerowicz's Program can be distinguished (D'brovski, 1990):

- restoring of the equilibrium in commodity markets,
- restoring the monetary equilibrium
- restoring the balance of the national budget,
- restoring the external equilibrium,
- general institutional changes.

Balancing of commodity markets was attempted by liberalization of prices (ca. 90% of prices became free) and by essential increases in centrally controlled prices (energy, transportation services, drugs, flat rents, etc.). Similar role was attributed to the liberalization of the trade policy. Non-tariff instruments were abandoned to a great extent. A relatively liberal customs tariff was introduced⁵⁾.

The monetary equilibrium should have been restored due to a restrictive monetary policy. The supply of cash and credit money was drastically reduced. A high nominal rate of interest was introduced to ensure a positive real rate. The new law on credits introduced changing current rates of interest in all credit contracts (including contracts concluded in the past) and reduced essentially so called preferential credits (e.g. in agriculture).

The budgetary equilibrium should have been achieved by taking off subsidies to foodstuffs, means of production, raw materials and energy. Export subsidies were totally removed. At the same time most of the tax allowances and reductions were abolished. A stricter control was put on budgetary spendings.

Efforts aiming at the external equilibrium were also initiated. A partial convertibility (limited to the current account transactions) of Polish zloty was introduced. Foreign currency deposits done by business organizations were gradually liquidated and practically eliminated. On January 1, 1990 Polish zloty was devaluated to US dollar by 31,6%. In 1991 a crawling devaluation was introduced. There were also some jump devaluations.

The process of restoring the external equilibrium was also possible thanks to good relations with international financial organizations - the IMF, World Bank, EBOR, European Investment Bank and IFC. Negotiations with official (the Paris Club) and private (the London Club) creditors were started.

The equilibrium-seeking efforts were accompanied by a restrictive income policy, encompassing:

- liquidation of general indexation of wages and salaries,
- high taxation of increases of wages and salaries,
- progressive tax on individual incomes.

The Balcerowicz's Program contained also a part devoted to institutional changes. These changes concentrated on:

- creation of the capital market (the stock exchange),
- privatization of state-owned enterprises,
- demonopolization in highly monopolized industries and sectors.

The authors of the Balcerowicz's Program deliberately avoided far - reaching restructuring moves. No programs helping post-socialist enterprises to overcome the adjustment shock were initiated.

The radical stabilization policy initiated in 1990 gave positive and negative effects (see tables 1a and 1b), namely:

- higher than expected rate of corrective inflation followed by quick balancing of most of the commodity markets (the demand barrier appeared). The raise of inflation was very high at the beginning of 1990. At the end of the first quarter of 1990 an inflationary echo could be observed, especially in the food market. Later on the monthly rate of inflation began to diminish - from 80% in January 1990 to 1,8% in September 1990.
- most, of the commodity shortages were eliminated. The quality of the consumption goods markets grew up systematically.
- propensity to save was growing,
- favorable situation in foreign exchange - the trade balance and currency reserves were higher than expected (the surplus in trade balance amounted to 2,2 billion USD and 5 billion transfer rubles),

- high, systematically growing rate of unemployment - at the end of May 1990 443 thousand people were unemployed (ca. 3,3% of the workforce outside agriculture), in October the number of unemployed exceeded 1 million (7,5% of the workforce) and in December there were 1,126 million unemployed people,
- higher than expected decrease in real incomes - in 1990 the decrease comparing to the previous year was 30%,
- higher than expected decrease in industrial production, especially in the state-owned sector (ca. 25% comparing to the previous year),
- budget balance was reached - a small budgetary surplus appeared in 1990,
- the gross domestic product decreased considerably - in 1990 it was lower by 11,6% comparing to 1989.

The changes in the organizational structure of the economy were rather modest - far below expectations. The number of businesses run by private persons increased substantially. The growth was concentrated however mainly in the retail and wholesale sectors.

No improvements in the general productivity could be observed. In 1990 comparing to 1989 production fell down by more than 20%, employment decreased by 7% and the consumption of electric power was only 12% lower.

In 1991 many negative tendencies were continued. The GDP decreased by 7,6% comparing to 1990. Similar decrease in the industrial production amounted to 17,1%. About 11,8% of the workforce outside agriculture was unemployed. The economic recession resulted in a budget deficit. In 1991 the deficit amounted to ca 3100 billion PLZ, i.e. 2,9% of the GDP. The situation in the foreign trade also deteriorated. Exports were only slightly higher than imports.

In 1992 (especially in the second half of the year) many of those negative trends were stopped and reversed. Poland was the only country in the central and Eastern Europe which showed a slight growth of the GDP (ca. 10% in relation to 1991). The industrial production grew up by 4,2% comparing to the previous year. The growth of industrial production was reached when the employment was by 6% lower in comparison to 1991. The productivity of the labor force grew up by 10% in relation to 1991 and 6% comparing to 1990. However it was still lower than in 1989 (ca. 15%).

The rate of unemployment was growing however. At the end of 1992 it reached the level of 13,6% of the workforce. The budget deficit became deeper. Its size grew up more than 2,2 times comparing to the previous year. In 1992 the budget deficit amounted to 6,5 % of the GDP.

Different situation could be noticed in the foreign trade. The balance of payments became positive (ca. + 0,7 billion USD).

As it was written above reduction of the inflation was one of the most important targets of the Balcerowicz's Program. The rate of inflation in consumption goods (previous year = 100) reached in 1989: 351,1; in 1990: 685,8; in 1991: 170,3 and in 1992: 143,0. The decrease was spectacular, but the rate of inflation was still much higher than in developed market economies⁶⁾.

The Balcerowicz's Program gave also remarkable results in the field of privatization. In 1989 the private sector produced 28,6% of the GDP, in 1990 - 30,9%, in 1991 - 42,1% and in 1992 - 45%.

In general the results of the implementation of the Balcerowicz's Program were differentiated. Relatively quickly, but not so quickly as expected, the economy was roughly balanced, but still one-digit inflation was far away. The stabilization success was paid however by substantial decreases in production and consumption. The rate of unemployment grew up dramatically⁷⁾.

The intensity of the negative tendencies was unexpected by the authors of the Program. As the final result however economic growth and development processes were initiated.

TRANSITION POLICY IN POLAND - THE POST-BALCEROWICZ PERIOD⁸⁾

Directions of the economic policy intended by the winners of parliamentary elections in 1993 could be inferred from their election programs. Their attractiveness to the man of the street resulted from claims that „more could be achieved at much lower social cost”. Politicians from the Alliance of the Democratic Left (successors of the communist movements often declared their will to continue the main directions of the Balcerowicz's Program but in a way more sensitive to social problems. Their partners in the new ruling coalition - the Farmers' Party - concentrated on the postulates most appealing to their electorate, namely on the increasing of the level of protection of agricultural production, especially in small family-farms.

The new deputy prime minister responsible for economic matters Grzegorz Kołodko presented his economic program called „Strategy for Poland”. The Program declared reduction of the social costs of the necessary reforms. Strategy should have been concentrated on nine crucial fields (sub-programs):

- partnership relations in the labor market and development of a negotiatory system of wages regulation,
- reform of the social security system,
- anti - unemployment activities,
- development of rural areas,
- investments in human resources,
- management of state-owned property connected with transformation of the ownership structure,
- medium-range financial strategy encompassing reform and development of the financial sector,
- security of economic exchange and absorption of the „grey zone”,
- international competitiveness of the national economy.

The „Strategy for Poland” should complement the market reforms, but „...by no means it is a continuation of that what was done by so called solidarity governments in the years 1989-1993. A continuation would lead to a social and economic catastrophe. The same would happen however if necessary reforms were abandoned - the reforms concerning the state-owned enterprises, labor relations, social security, the banking system and the absorption of the gray zone. Without the reforms provided by our program positive tendencies in the economy cannot be maintained, nor negative events can be eliminated. The path of sustained and balanced growth cannot be

followed. The social costs of the transformation can be reduced and more fairly distributed neither" (Kołodko, 1994).

The „Strategy for Poland” was developed by the government in so called „Package 2000”. It aims at strengthening positive economic tendencies demonstrated in the years 1993-

1995. The „Package” is concentrated on two streams of the economic policy - the macroeconomic and fiscal policies. The „Package” does not replace the „Strategy for Poland”. It rather selectively develops and continues the above mentioned policy streams. The „Package” gives priority to two general goals - decreasing the level of unemployment and increasing the level of consumption. Sustaining of the high rate of economic growth, quick development of exports and high level of investments were declared as the main measures leading to general goals. The sustained high growth rate should be achieved by:

- gradual reduction of the inflation,
- gradual reduction of the budget deficit,
- gradual reduction of the public debt,
- limiting the redistributive function of the state budget.

The fiscal policy should provide by simplified tax system, increased stability and foreseeability, decreased discretionality and reduction of direct tax rates. The instruments of the pro-export and pro-investment policies were not enumerated.

A high degree of continuation can be seen in the economic policy in the post-Balcerowicz times, especially in the stabilization sphere. It has been focused on pressing down inflation, maintaining budget balance and external equilibrium. In the institutional plane many essential developments can be observed. The institutions of the capital market (e.g. Warsaw Stock Exchange) have been growing fast. National Investment Funds Program has been initiated. Property rights to more than 400 state-owned enterprises were given to 12 Funds. Every adult citizen has a right to buy a share in the Program. Nevertheless the government has been criticized because of too slow pace of the privatization.

Not only continuation can be seen in the economic policy. Some important discrepancies have emerged too. The economic policy has become more selective. For example the level of protection of the agriculture sector has grown up substantially. Differentiated regulation has been also introduced in other sectors - e.g. in metallurgy and mining industry.

Many positive economic and social phenomena resulted from the continued policy (see tables 1a and 1b). In the years 1994-1995 the growth rate of Polish GDP was the highest in the Central and Eastern Europe (5,2% and 7% respectively). The budget deficit was decreased slightly. The inflation rate has been decreasing systematically, though the pace is still unsatisfactory. Positive changes in the external economic relations were caused mainly by so called „border trade” unregistered in the official statistics. The registered trade balance was negative and the deficit has been growing.

Generally speaking the short-run economic situation is rather optimistic. Some long-run threats should not be ignored however. It is doubtful if the budget balance can be maintained without solving the problem of social security spendings (via creation of pension funds, payed health insurance, etc.). The public debt has been growing. High and growing deficit of foreign trade (the trade balance has changed from +4,8 bill. USD in 1990 to - 6 bill. USD in 1995) can cause problems in keeping external equilibrium. Also some institutional phenomena should be pointed out as threats to further economic development. Monopolistic structures in some industries have

remained and even strengthened. Lobbying activities are widespread and more and more effective.

TRANSITION POLICY IN POLAND - AN ASSESSMENT

There is no doubt that monetarist concepts formed the doctrinal basis for the Balcerowicz's Program and for his economic policy. It was assumed that radical stabilization measures accompanied by removal of main institutional barriers (generally by deregulation) to the market mechanism would quickly restore equilibrium and enhance fast reallocation of resources in the national economy. Stable foundations for further economic growth and development would be created in such way.

The Balcerowicz's Program contained some divergencies from the liberal assumptions of the monetarist doctrine. So called „stabilization anchors” were introduced to assist „classical” anti - inflationary instruments, namely:

- taxation of excessive growth of wages and salaries (at the beginning even in the private sector),
- fixed exchange rates (after a deep devaluation of zloty).

The additional anti-inflationary protections were based on forecasts of specific behaviors of economic actors in the post-socialist economy. Strong pressures on wages and salaries were expected - to a great extent due to powerful trade unions. Those pressures could not be countervailed by costs' rationalization-especially in the situation of a „hungry” (unsaturated) market and unclear ownership relations. It was also expected that political and cultural openness would stimulate the demonstration effect and provoke a pressure on imports. In consequence an initiation of a new inflation spiral could be quite probable.

The behavioral expectations were not groundless. A looser control of individual incomes imposed by political situation in Fall 1990 (the presidential elections) resulted in an observable inflationary jump.

Motivated by social and political reasons divergencies from recommendations of the monetarist doctrine can be also found in the Program and in its implementation. Some prices were controlled and subsidies were maintained - e.g. medicines, energy for consumption purposes, flat rents, etc. Subsidies for some industries and enterprises remained - either formal, or informal (e.g. tolerated delays and one - sided suspensions of tax payments, remission of debts, etc.)

It seems that especially at the beginning of the market reforms an echo of the concept of the „critical mass of reforms” (the core of the socialist reformism doctrine) could be heard in the economic policy. The „critical mass” was generally identified with the deregulation and liquidation of the central economic administration.

One should admit that in the situation of a deep disequilibrium and emerging economic chaos a rigorous stabilization policy was indispensable. It is also quite probable that some stabilization instruments were „overshot”. It seems however that the heart of the transition policy problem lies not in the „overshooting” of the stabilization policy. In our opinion it is more important that a chance for creation of more stable institutional and structural bases for further economic growth and development was missed.

It seems that the adjustment recession could not be essentially admissable even if the stabilization instruments were better targeted. Softening the stabilization restrictions could have undermined their effectiveness. More and more we accept the

opinion that high social, political and economic cost of the reform were, in principal, inevitable.

It should be mentioned that the main direction of the reforms - i.e. transition from an administered socialist economy to a capitalist market - was not and still is not questioned by main social and political forces. At the beginning one could even say about an enthusiastic support. The social tolerance for the cost of the reforms was also very high. No massive social protest has happened.

It is difficult to say that those favorable social and political conditions were fully exploited. Omissions (undeliberate and doctrinally based) concerned mainly:

- the institutional sphere - creation of institutions supporting weak mechanisms of the emerging markets,
- the structural sphere - creation and upgrading resources necessary for a fully developed market.

Development of a mature system of market institutions needs time. Indispensable processes of privatization, demonopolization, economic legislation, emergence of capital market, creation of market structure, etc. are sophisticated and time - consuming. In the relatively long period of the institutional transformation a danger of a time gap between stabilization and restructuring processes emerges. The most important fact is that resources uneffectively used in the socialist economy and freed by the stabilization policy cannot find institutions facilitating their quick reallocation. The market mechanisms can be too weak or even absent. The administrative mechanisms have just finished their lives. It is probable that Schumpeterian „creative” destruction could be replaced by a „destructive” one.

Problems in functioning and development of the market economy can stem not only from a too slow reallocation of resources. Some resources needed in a market economy were absent in socialist economies. The amount of other resources was too small. Some resources were deformed. The problem concerns especially technological resources - marketing and management (strategic and financial technology, etc. It should be also remembered that the material infrastructure (transportation network, telecommunication) of the market was relatively underdeveloped.

Spontaneous processes of creating new resources and upgrading the old ones are long-lasting. They can be accelerated by an import of technologies. The investment attractiveness of post-socialist countries is not very high however and imports are not sufficient to close the technological gap. It seems that a deliberate policy supporting creation and improvement of resources is needed.

It should be added that not only favorable social and political climate was not fully exploited. At the beginning of the market transformation some indicators of the economic situation were quite good:

- financial performance of state-owned enterprises in 1990 and 1991 was generally good and they were able to afford resources' - development programs (e.g. extensive training for managerial, marketing and financial personnel),
- positive balance of the state budget enabled for a more active financing of institutional transformation and restructuring activities,
- the state could use its ownership rights to force enterprises to engage in programs upgrading their resources, especially human and technological resources.

In consequences of parliamentary elections in Fall 1993 the rules were taken over by a coalition composed of two partners:

- left social and political movements concentrated around the Social-Democratic Party (successor of the communist party),
- Farmers' Party (formerly an ally of the communists).

It is interesting that in the economic program of the new government neither postulates of social and economic equity (proclaimed by many social - democratic politicians) nor agrarian concepts (heard in declarations of farmers' representatives) were exposed. It rather seems that the doctrinal sources of that program could be found in concepts supported by the liberal wing of institutional economics - e.g. corporatist solutions for the labor market, commitment of state in the social insurance system, essential role of the public sector, etc.

Some elements of a deliberate restructuring policy could be seen too, namely:

- development of rural areas,
- investments in human resources,
- improving international competitiveness of the national economy.

The most exposed feature of the new governmental economic program and of the realized economic policy was however a continuation of the stabilization policy. Modifications were minor. No spectacular turnaround could be noticed.

The relatively unified line of the economic policy was followed for many years also due to the behavior of the National Bank of Poland. Emission of cash and credit money has been effectively controlled. The rate of devaluation has been kept below the level of inflation.

Consequently followed stabilization policy resulted in a better use of the part of economic resources. In many industries improvements in the exploitation of resources were caused by:

- putting market mechanism into motion,
- disposal of unproductive fixed assets in many enterprises (liquidation or reduction of social and auxiliary functions),
- firing excessive work-force.

Conditions for an economic expansion were created in those industries and they have contributed greatly to the general economic improvement.

The second essential growth contribution came from the export sector. The export expansion observable till 1995 was caused mainly by a convergent influence of the „pull” (favorable economic climate in foreign markets) and „push” (limited capacity of domestic markets) effects. It is rather doubtful that the international competitiveness of the national economy has grown up.

We are afraid that further economic growth potential based on the above sources has been nearly exhausted. In industries in which market mechanism already works future improvements in efficiency cannot be reached by simple cost-cutting. What is needed is

an increase in productivity of the existing assets and upgrading resources by investments, trainings, etc. The quality of management should grow essentially.

It also seems that the present way of the export expansion is close to its limits. The economic climate in most important importing countries has worsen. Many enterprises have reached the profitability barrier in exports. Exporting became too costly, even when the domestic market is too small to use all production capacities.

The efficiency orientation in exports is also needed because one cannot expect any radical change in the exchange rates' policy. An overshoot devaluation of z³oty can initiate a new wave of inflation.

In our opinion long-range economic growth and development possibilities are connected with:

- reallocation of economic resources,
- exploitation of „fallow” resources,
- upgrading of the existing resources and attraction of high quality resources from abroad.

We are afraid that the economic policy carry out up till now has not changed the allocation of resources in an essential way. It is true that in many industries enterprises have been „cleaned” from excessive, unproductive resources. A great part of those resources has not found any effective employment however. It seems that the new market mechanisms were to weak to stimulate effective reallocation. Furthermore few other institutional arrangements supporting reallocation have been introduced. There is a need for solutions:

- facilitating the transfer of resources (e.g. information system concerning unused production capacities, second-hand machines, unused real estate, etc.),
- enabling such transfer (e.g. fast and effective bankruptcy procedures),
- stimulating demand for „fallow” resources (e.g. special credit funds or preferential credit terms).

In such way the employment of „fallow” resources will grow and the process of degradation will be stopped.

It is also difficult to say that the policy concerning the upgrading of national economic resources is satisfactory. One should admit that investments are growing, education and training options are reacher than before, foreign investor are more and more interested in investing in Poland. Those improvements are rather slow however. Activities stimulating and facilitating an upgrading of resources (especially human resources and management technology) are urgently needed. It is quite probable that shortage of those resources will empede development processes, even in those industries in which market mechanisms has been already put into motion.

CONCLUSIONS - TOWARDS A HARMONIZED TRANSITION POLICY

In our analyses we present the problem of transition from an administered socialist economy to a capitalist market as a multidimensional one. Three planes and four levels of the problem have been distinguished (Otta, 1994). There are following planes:

- system's dynamics plane, describing the way in which dynamic processes in a particular economic system are regulated (e.g. monocentric administered system equilibrium - seeking policentric systems - e.g. markets),
- institutional plane, presenting institutions typical for a particular economic system,
- structural plane, depicting resources of an economic system and the way of their allocation.

National economies as economic systems consist at least of four levels:

- macro - the national economy level,
- meso - the level of sectors, industries,
- micro - the firm and household level,
- micro-micro - the level of people acting as producers and consumers.

It is interesting that the economic policy carried out during the transition period tends to focus on particular planes and levels. The Balcerowicz's Program exposed the macro-stabilization and removal of general institutional barriers blocking the market mechanism. The economic program and economic policy of the left coalition continue the stabilization policy and put greater stress on macro-level institutional transformation.

Both those policies gave, in sum, positive economic results. It seems however that their impetus has been almost exhausted. There is a need for a harmonized transition policy. The present directions of the economic policy should be supplemented by:

- an adequate restructuring policy aiming at upgrading of national economic resources and facilitating their reallocation to more efficient applications,
- focus on supporting of stabilization, transformation and restructuring processes at the firm level.

NOTES

1. J. Sachs is the best-known proponent of the „big-bang” policy - see Sachs (1992) and Lipton, Sachs (1990).
2. It is supported by J. Kornai (1990, 1992), R. McKinnon (1992) and P. Murrell (1992).
3. Some authors think that the state should deeply intervene in the institutional transformation process, even in the transformation of particular enterprises - e.g. the activities of the Treuhandanstalt in the former GDR (Carcin, Mayer 1992). Other authors question the need and effectiveness of such intervention (e.g. Siebert, 1991).
4. This means in practice it means that the stabilization moves will be slower and less radical.
5. It is estimated that at the beginning of the nineties the average level of tariff protection in Poland was lower than in its main trade partner-countries.
6. Some unsatisfied economists were talking about an „unfinished” stabilization (Winiecki, 1991).
7. The critics of the Balcerowicz's Program concentrated mainly on the scale of the economic recession. They claimed that the Program had been evidently „over-short” - i.e. were too restrictive (Kołodko, 1991). The equilibrium was reached at a point in which production capacities were used at a lower level than feasible. That was a result of over-restrictive income, monetary and fiscal policies, over-devaluation of the national currency and too liberal trade policy (Kołodko, 1993).
8. L. Balcerowicz left the government in November 1991. However his Program formed a basis for the economic policy of succeeding governments (with a short break for ultra-right episode) until 1993 parliamentary elections giving the rules to the coalition of Social-Democratic (post-communist) and Farmers' Parties.

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Table 1a. Basic indicators of the economic situation in Poland: 1990-1995

	1990	1991	1992	1993	1994	1995
	Dynamics, the previous year = 100					
Gross Domestic Product	92-93	93,0	102,6	103,8	105,2	107,0
Industrial Production Sold	75,8	92,0	102,8	106,4	112,1	109,4
Global Agricultural Production	97,8	98,4	87,3	106,8	90,7	113,0
- plants	100,1	97,2	78,8	123,2	85,1	116,1
- animals	94,8	99,6	95,9	88,9	99,3	108,0
Production of Construction Firms	85,6	111,4	106,6	108,0	100,5	111,4
Flats Finished	89,4	101,9	97,0	71,0	80,6	76,7
Commercial Transportation (in tons)	70,7	83,0	96,7	102,2	102,0	104,5
Investments	89,9	95,9	100,4	102,3	108,2	119,0
Employment (Dec., 31)	92,8	95,6	97,2	98,3	101,1	100,2
Prices of Production (yearly average)						
- industrial production	722,4	104,9	134,5	131,9	125,3	125,4
- construction industry	650,0	147,4	117,2	124,6	119,7	121,9
Retail Prices of Consumption Goods						
- yearly average	658,8	170,3	143,0	135,3	132,2	127,8
- Dec. compared to previous Dec.	349,3	160,4	144,3	137,6	129,5	121,6
- average monthly rate	11,0	4,0	3,1	2,7	2,2	1,6
Average Real Wage (Net)	75,6	99,7	97,3	97,1	100,5	104,8
Average Real Pension (Net)	84,9	114,5	93,5	97,1	102,9	103,3
Real Money Supply in Total (Dec., 31)	56,5	89,9	109,1	98,8	106,7	110,9
Real Borrowings						
- households	188,9	103,7	115,7	136,6	114,3	138,2
- business firms	123,2	118,0	96,6	95,3	96,6	111,4
Real Net Indebtness of the Budget Sector (Dec., 31)	-	-	149,2	114,8	104,1	85,1

Source: T.Chroćcicki, *Sytuacja spo³eczno-gospodarcza Polski w 1995 roku, Gospodarka Narodowa*, 1996, No. 3.

Table 1b. Basic indicators of the economic situation in Poland: 1990-1995

	1990	1991	1992	1993	1994	1995
Budgetary Spending (bill. PLN)	34,6	29,9	33,2	32,3	32,7	32,6
Balance of the Budget (bill. PLN)	0,2	-3,1	-6,9	-4,3	-5,7	-7,7
- % of GDP	0,4	-3,8	-6,0	-2,8	-2,7	-2,7
Public Debt (bill. PLN)	53,2	65,8	97,9	133,9	146,3	168,6
- % of GDP	94,9	81,4	85,2	86,0	69,5	60,2
Domestic Debt (bill. PLN)	6,8	12,7	24,2	35,8	49,9	60,3
Foreign Debt (bill. USD)	48,5	48,4	47,0	47,2	42,2	43,9
Banks: gross profitability (%)	65,7	26,5	19,0	6,7	4,9	19,6
Enterprises: gross profitability (%)	-	4,6	2,1	2,8	4,1	4,5
Foreign Trade (mill. USD)						
- exports	14 322	14 903	13 187	14 143	17 240	23 100
- imports	9 528	15 522	15 913	18 834	21 569	29 100
- balance	4 794	-619	-2 726	-4 691	-4 329	-6 000
Repayment of Foreign Debt to Exports (%)	6,8	10,5	11,0	13,2	8,7	9,5
Average Pension to Average Wage (%)	56,8	65,3	62,7	62,1	64,0	63,0
Registered Unemployment (mill.)	1,13	2,16	2,51	2,89	2,84	2,63
Rate of Unemployment (%)	6,5	12,3	14,3	16,4	16,0	14,9

Source: T. Chroćcicki, „Sytuacja spo³eczno - gospodarcza Polski w 1995 roku”,
Gospodarka Narodowa 1996, No. 3.