



Poland's path to economic development and success

1989 - 2015

PRL (Polish People's Republic)

- 1945 -1989 - Poland is under the control of the Soviet Union
- Massive protests, especially in: 1956, 1970, 1980 and 1988
- Difficult economic situation – so called *Shortage Economy* (the amount of the good demanded exceeded the amount supplied at a given price) - lack of many basic products on the market
- Weakness of the government and public institutions, which were dependent on the Soviet Union, and had to enforce the obedience of the citizens by the use of brutal force – for example Martial Law imposed on December 13, 1981
- Inefficient and weak economy with a very low standard of living when compared to the countries of Western Europe

Polish Round Table Talks

The **Polish Round Table Talks** took place in Warsaw from February 6 to April 5, 1989



Source: <http://wolna-polska.pl/wp-content/uploads/2014/02/okr%C4%85g%C5%82y-st%C3%B3%C5%82-2.jpg>

Polish Round Table Talks

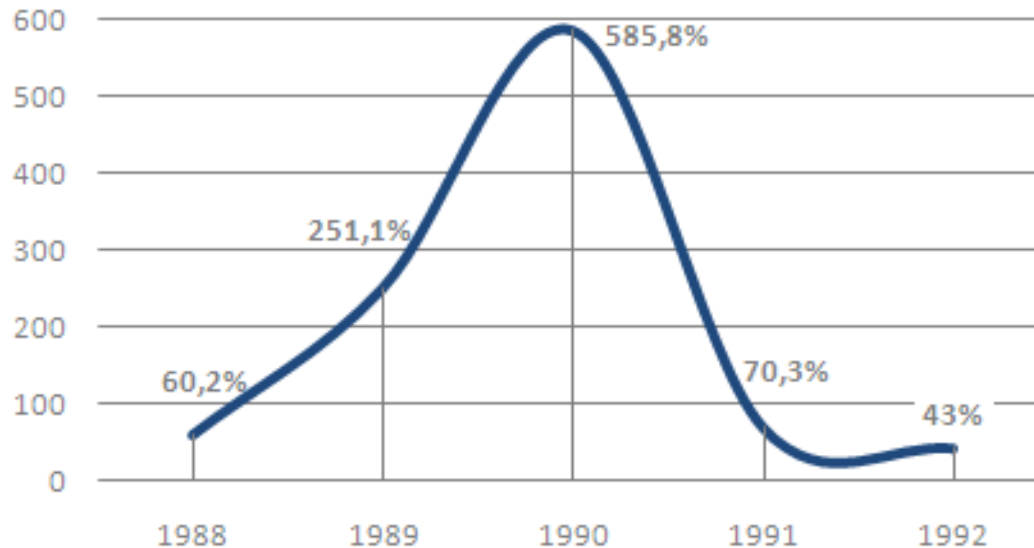
- **Participants:**
 - representatives of the communist party and government
 - opposition players (representatives of the Solidarity trade union and other opposition groups)
 - Catholic Church representatives
- 2 months of negotiations
- **April 4, 1989** - the Round Table Agreement was signed – a political agreement that allowed for political and economical transformation
- **June 4, 1989** – the first semi-free elections took place – the victory of Solidarity

Economic situation in the early 1990's

- The majority of state-owned monopolies and holdings were largely inefficient, provided with obsolete technology
- *Shortage economy* – lack of basic products on the market
- Low wages
- Practically no unemployment – but many people worked in enterprises that were inefficient (shipyards, State collective farms) and existed only because of earlier subventions of the Polish People's Republic's authorities
- In the end of 1989 the national debt reached the amount of USD 42.3 billion (64.8% of the GDP)

Economic situation in the early 1990's

hyperinflation – up to 585.8% (annual rate)



Source: <http://www.money.pl/banki/wiadomosci/artypul/warynski;kopernik;chopin;juz;nic;nie;warci;zegnamy;miliony,32,0,745504.html>

Balcerowicz Plan



Leszek Balcerowicz – Deputy Prime Minister and Minister of Finance in the first post-communist government led by Tadeusz Mazowiecki

- On October 6, 1989 the Plan was presented on TV
- Afterwards it was approved by the International Monetary Fund, which granted Poland a stabilization fund (over USD 1 billion) and an additional credit of USD 720 million.

Source: <http://www.tvpparlament.pl/aktualnosci/25-lat-od-planu-balcerowicza-rekordowy-czas-zatwierdzenia-uchwal/18066106>

Balcerowicz Plan

- A package of **10 acts** was signed by the President (Wojciech Jaruzelski) on December 31, 1989
- The package included, among others:
 - *Act on Financial Economy Within State-owned Enterprises* (allowing inefficient state-owned businesses to declare bankruptcy)
 - *Act on Banking Law* (forbidding the financing of the state budget deficit by the national central bank)
 - *Act on the Economic Activity of Foreign Investors* (allowing foreign companies and private people to invest in Poland and export their profits abroad)
 - *Act on Foreign Currencies* (that made the Polish zloty exchangeable and abolished the state monopoly in international trade)

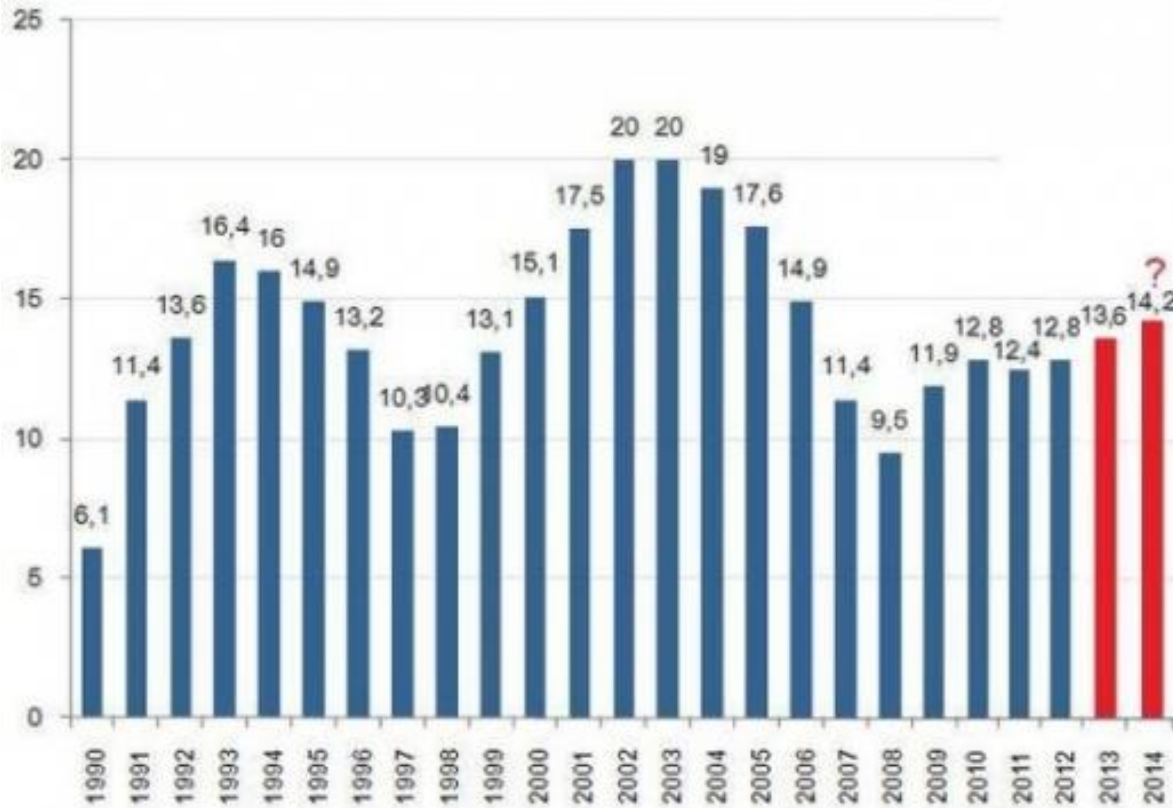
Balcerowicz Plan

- The plan of restructuring Polish economy (1989 – 1993)
 - “Shock Therapy”
 - method for rapid transition from a communist economy, based on state ownership and central planning, to a capitalist market economy
 - breaking free from Soviet domination – creating an economic connection, especially with EU countries
 - removing obstacles that inhibited the spontaneous emergence of the private sector
 - deregulation of prices
 - restrictive monetary policy
 - privatization of state-owned enterprises

Social costs of reforms

- Difficult, challenging path to development
- Sacrifices of the society
- Lack of the so-called Welfare State – limited social assistance
- Decline of living standards for some social groups
- Increased unemployment

Unemployment



Unemployment Rate

- 1990 6.1%
- 1994 16.0%
- 2002, 2003 20.0%
- July 2015 10.1%

Source: <http://ziemianarozdrozu.pl/i/upload/ogolne/05-teotwawki-20130215.jpg>

Poland's path to EU Membership

Date	Event
May 25, 1990	an official attempt to begin negotiations
December 16, 1991	The Association Agreement was signed
June 22, 1993	The economic entry criteria were defined
April 8, 1994	Poland submitted an application for membership
March 31, 1998	membership negotiations began
April 6, 2003	the Treaty of Accession was signed
May 1, 2004	Poland became a member of the European Union

Living standards in Poland

Purchasing Power Gain

- 1989 – 2011 – prices increased x 13
- at the same time the nominal average gross remuneration increased x 33

Average Gross Remuneration

- 1990 – **USD 108**
- 2010 – **USD 1,140**

Source: <http://www.hotmoney.pl/nabiezaco/20-lat-temu-zylo-sie-lepiej-Nieprawda-Stac-nas-bylo-na-zdecydowanie-mniej-a27212>

Purchasing Power Gain Staple Products

Product	1991	2012
Bread	1004	1591
Eggs	1977	7360
Milk [l]	629	1074
Chocolate [100 g]	284	1051
Vodka [0.5 l]	46	159
Petrol [l]	347	804

Source: <http://www.hotmoney.pl/nabiezaco/20-lat-temu-zylo-sie-lepiej-Nieprawda-Stac-nas-bylo-na-zdecydowanie-mniej-a27212>

Summary – changes in Poland

- Changes in Poland after 1989 were radical and very fast,
- Going through those reforms required the sacrifice and hard work of all the citizens,
- Even nowadays there are social groups that have not recovered after the reform and that still suffer from its consequences,
- A comparison with other countries of Communist Bloc shows that Poland's path to economic success was one of the most effective – at present Poland seems to be the regional economic leader and is turning into a serious player within the EU structures.



Thank you for your attention.

Good Luck Ukraine!

Kamil Zawicki; kamil.zawicki@kkg.pl

Partner at Kubas Kos Gałkowski

Head of the Dispute Resolution Section, Allerhand Institute