Fundamental Questions

I want to dedicate this paper to a couple of the most general systemic problems, that are important from the point of view of Poland’s (and other Central European Countries’) accession to the European Union. Amongst the ten candidates Poland is the biggest country and for that reason alone the problems it faces are on a much larger scale than those in the remaining countries. Integration is first of all an integration of societies, and Poland alone has a greater population than the other nine candidates combined, along with the highest unemployment rate. Therefore Poland deserves special attention. It is not meaningless that the great systemic changes at the end of (and also the beginning of) the 80s, started here, appointing Poland – at least for a certain time – as a pioneer and example for others to follow.

One should keep in mind three main questions (which I will return to at the end of this paper) when analysing the history of the Union up to now; it’s current economic policy and the socio-economic problems facing Poland.

- Does the known policy of the EU, up till now, promise to solve the main social problems of Poland?
- If not, what are the chances that this policy will change?
- And if this does not occur can Poland, as a member of the EU, being in the extraordinary situation which it finds itself, count on the understanding and acceptance of it’s own, socio-economic policy, diverging from the rules of the EU?

Promised and real benefits

Poland’s negotiations with the EU are commencing with the held assumption that its general economic policies are given. Even the proclaimed changes in the CAP would be hard to claim as fundamental. Not only Polish negotiators, but also academic participants in the dispute, (with a few exceptions, which will be mentioned below), avoid raising the main principles of this policy, such as the Maastricht Treaty, or the Amsterdam Pact on Stabilisation and Growth. Moreover it is sometimes alleged, unfortunately not without reason, that the negotiations take place with the candidates “on it’s knees”. What kind of negotiations are these if, from the very beginning, it is
known that the final result cannot be negative. It is said that the only other alternative is that of “Belarus” (or the Belarus Station, as it is called by the former representative of the left wing of the SLD, MP Sierakowska, which looks like a mutation of the slogan “socialism or barbarity”).

As an answer to the question what is the line that shall not be crossed in compromising in the negotiations with the EU, or at what point we should be forced to say *non possumus*, a former negotiator (otherwise an enlightened person) Jan Ku³akowski (2002) uses an over-sophisticated argument. He says “cardinal Wyszyñski, talked about *non possumus* when the communists ruled. Now there is a different problem, a different aspect. Now there cannot be any *non possumus*”.

First let us analyse the expected benefits for Poland upon its accession to the EU, as this moment seems now to be close. Amongst some of the banal statements, is one that the expansion of the EU to the East is an exceptional case. The main problem is that these countries are only just creating a new market and their corresponding institutions, they lack experience in competing on international markets, they have a poorly developed and inexperienced legal and trade structures and in general their entrepreneurs can be characterised as very week. If we consider post communist countries, except Slovenia and Czech Republic, we can also see that they are on a lower, and some of them on a much lower, level of development than countries such as Greece, Spain, Portugal and Ireland. We may call these countries as “supported” as opposed to “supporting” countries, that is those, whose financial contributions to EU budget are greater than they take from it.

This topic was discussed by the authors of the book: Not ‘just another accession’ (Eatwell et al. 1997) who are involved with the social democratic fraction of the EU. For these Western authors it was obvious, that new candidates need greater assistance before, as well as after, their accession. In addition they also need a longer transition time. Although this book was translated and published in Poland, by Wydawnictwo Sejmowe (Parliamentary Publisher), it did not raise much interest amongst Polish MPs. It seemed to me, that they thought that what has to be explained to the western reader is obvious for Poles. What a different situation we have only five years later! New candidates, especially Poles, would be happy if the West would treat them “as any other accession”, that is if they were accepted on similar conditions to those, which were guaranteed to the ‘supported’ countries. Incredibly it is not even clear that the new candidates will have to “give” more than they will “get” from the EU, despite recent statements by EU functionaries trying to dispel these doubts. Therefore it must be accepted, that it will not be an
“accession, like others”, and assistance will not be expanded, but diminished. Therefore it is especially worth taking a look at the results of earlier accessions.

It is said that the entrance of Poland into the EU will mean the widening of the area of expansion (a great common market) and transfer of structural funds, which are to raise the GDP per capita to a level of 75% of that of the EU and raise to this level the per capita income of the country’s underdeveloped regions. This is exactly the main idea of Guenter Verheugen (2002), when he sums up the “union benefits” in the following sentences:

“Membership in the EU gives unlimited access to the biggest consumption market in the world; a great common market creates economic dynamism – along with growth and more workplaces (...) and also converging livings standard in a unified Europe, through identifying areas with worse economic conditions and investing in these areas on a great scale”.

To what extent, if at all, has this happened in countries that have been supported up to now? Has the policy of the EU managed to achieve the convergence of the less developed regions and countries? This is a question, which concerns the economic benefits that were gained by countries of southern Europe and Ireland. A study by Boldrin and Canova (2001) provides a thorough and deep answer to this question. Although the above study, and the discussion around it, concentrated mainly on the problem of regional convergence it also contributes to explanations about the problem of convergence in the supported economies in general. One of the discussants summarised the main thought of this study in the following words:

“The main message of the paper is that European regional policy is based on a growth model that implies divergence and this model directly suggests that active intervention, mainly in the form of infrastructure investment, is needed to keep poor regions from falling even further behind. The authors (Boldrin and Canova - TK) conclude that there is little evidence that this model is true, and little evidence that the regional policies of the EU are effective. Instead, the basic inference from the date is that for the most part regions in Europe grow pretty much at the same rate, that is, neither convergence nor divergence seems to be taking place.” (Pischke 2001, s. 245)

Boldrin and Canova, equally state that the study “suggests that, on average, uniform long-run growth rates are to be expected and relative differences will not disappear” (ibid. p241).

How should we understand the above-cited over-optimistic words of Verheugen? We can certainly not treat them as a summary of the Union’s efforts towards the convergence of regions, and we also do not see any sign of an attempt to revise the present policy.
The same discussant (Pischke) presents a graph illustrating the growth of GDP per capita in Greece, Portugal, Spain, Ireland and Turkey compared to the average 15 members of the EU. This part of the analysis provokes serious considerations. Portugal improved its status. Spain improved its position in the second half of 80s, but in the first five years of the 90s this process of improvement stopped. Greece on the other hand was improving its status only before its accession to the EU, after which a weak regression occurred. All this can be contrasted with the early post war years, as the same author writes, when a “wonderful period took place, when the European economies were converging at an impressive rate of 2% annually” (ibid. p46). At that time all the three above-mentioned countries of southern Europe were catching up with the then more developed countries of EWG.

The only country, which as a member of the EU has made a significant economic leap is Ireland. However Ireland is an example of a country, that (before the restrictions from Maastricht were placed on it) started out with a highly interventionist economy, selectively supporting the most modern branches of manufacturing industries. In a certain sense it broke away from the dominating rules of the EU. In any case, virtually all economists treat the Irish case as being exceptional in many different respects.

The authors and discussants address to the EU authorities numerous troublesome questions. For example if these funds are to help achieve specific goals, but the goals are not met, maybe there are other reasons for the existence of these funds? And in their own words: “Why does the EU need to ‘bribe’ newcomers, by means of subsidies, when one should expect them to be willing to pay for joining a free trade area? Why do temporary transfers and support programmes become permanent when the apparent reason for their initial establishment does not exist any more?” (p.244). The most troublesome question, however, touches the very foundations of EU policies. Do these funds and aid programs compensate for the damages, which arise from the Maastricht Treaty and the Amsterdam Pact? It must be explained why the most significant convergence took place in Europe during the highly interventionist years of the 50s and 60’s. I conceive the warning, formulated by one of one of the leading German-American economists, Rudi Dornbush as touching this question. He writes, “Public finances in the EU are linked to the requirements of the Maastricht Treaty and by their means growth cannot be stimulated. If it should turnout, that revival in the USA will not be quick and significant, soon Europe will regret the Maastricht decisions, which make counter-cyclical policy impossible. The tight Budget safety
jacket from Maastricht, introduced to calm the fears of the German bond holder about a currency union, may now turn out to be a catastrophe” (Dornbush 2001). Although Dornbush narrowed this problem down to the matter of bonds, he accurately pointed to the key role of Germany in forming the foundations of the Maastricht Treaty.

Dornbusch found unexpected support from a range of finance ministers during their meeting (11.07.02) in Brussels. The „Financial Times“ informs that at this meeting (in Amsterdam) the Growth and Stability Pact was under heavy attack. Although the Maastricht treaty was not directly attacked, it is clear that the pact sets out details which emerge from the general principles of the Maastricht treaty. It is also obvious that anti-cyclical policies have an important influence on long term growth. The FT also points out that the main architect of the pact, ex German Finance Minister Theo Weigel, is becoming increasingly isolated. We can therefore say that the recent recession has meant that Keynesianism, after its rejection for many years, is now returning to favour. This is similar to what happened after the crisis in Asia.

Poland would therefore best be able to fulfil the dreams of Veugaugen if they respected principles such as full employment; a decrease in poverty (which is especially important for Poland) and quickly engage themselves in the contentions surrounding the creation of an economic policy in the EU. Is it only during a protracted recession that the tight budgetary policies have a negative effect on the economy? It is worth mentioning here the experience of the Italian region Mezzogiorno, which only closed the gap with the more developed North during the period of post-war interventionism. The return to the ‘Zeitgeist’ of the free market did not only bring this period of convergence to an end in Italy. In this light the EU financial transfers play not only the role of levelling out inequalities but also that of compensating for the negative effects caused by the free-market policies arising from the Maastricht treaty and later the Growth and Stability Pact.

The above mentioned experiences and warnings of Dornbusch, bring for Poland, as an EU candidate burdened with huge and growing unemployment and an underdeveloped farming sector, a pessimistic outlook. Countries, which have belonged to the capitalist world, have not gained a great deal (if indeed they have at all) from the EU. For our country, with its separate tradition and huge social problems, significant resources are needed to survive the next shock without therapy after accession. Actually Poland has already included in its constitution the tight budgetary and monetary policies borrowed from the EU, acknowledging however that in an
exceptional situation (high unemployment) they could be loosened for a strictly defined period of
time. Inside the EU this possibility will no longer exist, unless there is an evolution of a friendly
“democratic capitalism” in the EU and Central Europe, with the return of a social market form of
capitalism. However the consequences of the latest stormy events are as yet unclear.

“Concerted Diversities”?

The above phrase is taken from an interview with Ulrich Beck (2002) who argues that
globalisation and integration do not lead to uniformity but to a co-ordination of diversities in
different spheres such as public finance and social policy. Is this true? And does the term
expansion only relate to the current economic policy but also to different national socio-economic
systems? And if so, what would be the range of co-ordination? Unforuntately we have to operate
in this field blindfolded, as no groundwork of research exists on the topic. Partial research has
been carried out concerning the past, but this is not instructive for the future. Most interesting
would be an answer to the question, what and to what extent have the countries Austria, Sweden
and Finland, whose economic systems and current economic policies differ from the other twelve
nations, achieved after entry to the EU? It is however too early to say. Together with Holland,
Denmark, Belgium and also partly France they create a strong group of European continental
countries which are dominated by communitarianism. Perhaps the conclusion which can be
drawn from this is that the organisational and institutional transformation research in the EU
countries should become a priority in the research field for those countries aspiring to join the
Union.

The greatest observation concerning systemic change, which can be carried out in the
European countries, is in Germany, whose economy (the largest in the Union) has a huge
influence on the competitiveness of the region. Such a task would be tempting as the system in
Germany is known as a social market economy (SME) which was characterised, outside of the
Scandinavian countries, as the clearest feature of the non-communist European countries. The
fate of the German social market economy is of particular interest to Poland, which, in its
constitution from 1997, committed itself to building an economic system based on the rules of
this system. Let us try then to answer the question: is the German economy adopting the
American way of business?
This question has two dimensions. The first one is whether the German socio-economic system is in the process of being dismantled in favour of the Anglo-Saxon system, that means whether the German authorities run such an economic policy (Ordnungspolitik) which reduces the differences between the German and Anglo-Saxon social orders? The second dimension contains current economic policy (what the Germans used to call Prozesspolitik). This distinction, however, has a more formal than real character, because when current economic policy is systematically and unequivocally based on a definite doctrine, for example on a laissez-faire or monetarist conviction, it creates a new reality of a systemic character. It seems that this has been the case with German economic policy for more than a decade. This is why it is worth starting with this dimension.

There have been many authors H. Flassbeck (1999), F. Modigliani (Grzybowska,1997), Łaski (2000) who have criticised the German economic policy of the last decade. We can mention in particular the criticism concerning the minister of finance Theo Weigel and the Bundesbank, before the victory of the SPD, and Hans Eichel afterwards. Munchau, writing about Eichel’s reforms, claimed: “Mr Eichel’s package is a school-book example of what fiscal policy should not be like. At the time of high unemployment and slow economic growth, he chooses strict fiscal policy (...) It would make much more sense to do exactly the opposite. (Munchau 1999)¹. His article ends with the ironic remark: Eichel’s predecessor (Lafontaine – TK) was not a reformer, either. At least, he understood the economy. The same could also have been said about Welgel’s policy, which was consistently pro-cyclical. Critics have blamed the German economic policy of the last decade for creating a low rate of growth and exceptionally high and permanent unemployment, which was particularly harmful when the economy was facing recession. Both are the underlying principles of SME: mass unemployment is against the rule of full employment whereas slow GDP growth makes the state unable to adequately meet employee’ and citizen’s entitlements. Thus there is little doubt that, by and large, the monetarist policy of the Bundesbank and the restrictive fiscal policy of subsequent finance ministers (with the exception of O. Lafontaine intermezzo) have strongly hit the very foundations of SME. One may only ask whether it was an expression of simple inconsistency or of a long-term goal of dismantling SME. There is a visible paradox that the American economy, which has the least developed welfare

¹ Because of a similar policy, Franco Modigliani called former minister of finance Theo Weigl an economic ignorant (Grzybowska 1997).
state, was in the 1990s closer to the idea of full employment than Germany, with its SME, due to a better current economic policy.

So far, the more or less deliberate resignation from a full employment policy is the most important step back from SME. Two other changes seem to be moving in the same direction: abolition of a special tax on bigger shares packages\(^2\), regarded as a barrier against hostile buys of German corporations, and an introduction (rather modest compared with the Polish 1999 reform) of a capital pillar to the pension system. The first one was highly prized by American business ("Wall Street Journal") as a great leap forward towards a free market economy "Schroeder and Eichel managed to launch free market mechanisms without attracting attention. Therefore, it seems that the policy of the current government is better for entrepreneurs than the policy of the former Chancellor Helmut Kohl" (Roth, 2000). There is therefore no doubt that the neo-American system is progressing in Germany.

Some of the authors seem to believe that Germany has already travelled quite far down this and that *die soziale Marktwirtschaft* practically belongs to the past. Things however are not so clear. More than a decade ago Michel Albert (1991/1994), an adamant supporter of the German social market economy, regretted that the „Rhine model /is/ giving way to the ‘neo-American model’, although in his opinion it was more just and effective than the American one. Simultaneously, however, he envisaged a dramatic struggle between the „Rhine“ (i.e. West German) system and the neo-American one: “It will be an underground war, violent, obstinate, but partly hidden or even full of hypocrisy, just as any internal struggle within any one Church is full of hypocrisy. A struggle between brothers armed with two models (...) carrying two antagonistic kinds of logic within the same liberalism. And perhaps (...) two systems of values ... (26)\(^3\). This struggle is still very far from being accomplished, with the roots of the systemic differences lying in the different philosophies of the German and Anglo-Saxon societies. This is at least the conclusion of a thorough study by the American scholars J. D. Morrison and R. A. Wolf (1999/2000), who conclude with the following main observations.

- For the Germans, the welfare state („Wohlfahrtsstaat”) is an outcome of a tacit social agreement between the government and its citizens. Social aid is not only accepted, but also expected. Most social services are rights, regardless of their cost and the income of a particular family. The state is

\(^2\) It is interesting that the CDU presidential candidate, Stoilber, promised to abolish this law if he won the election.

\(^3\) Translated from Polish edition (1994).
obliged to build a social network for the common good. Communitarism prevails over individualism, in contrast to the United States, where people on welfare are seen as losers and there is a strong tendency to condemn them. The state is perceived as an inevitable evil and the expenses on maintaining the state – as a threat to individual freedom. The authors quote one of the recurring themes of Bob Dole’s pre-election speeches: *The scariest words in the English language are ‘I’m from the federal government and I’m here to help you. It is hard to imagine a European politician, even an extremely conservative one, who would use this sentence as his electoral slogan.*

- Differences consist not only in the level of material aid aimed at reducing poverty and social pathologies, which is much higher in Germany than in the USA, but also in a different method of action. The German welfare state tries to eliminate the causes of social pathology (preventive action). At the same time, in the United States social workers mainly take care of people already affected by pathology. Therefore, by nature the German approach is more sociological and the American approach – more psychological. As a result of these different approaches, the number of clients in social care is much smaller in Germany than in the USA, which in the authors’ opinion is a direct proof of the effectiveness of preventive action⁴.

- Knowing the American love of individual freedom, the authors’ thesis that in the USA an individual using social aid is controlled by the state authorities more than in Germany must seem surprising. The authors explain this fact not only in terms of a different concept of the welfare state, but also by reference to the allergy of Germans to all-embracing state control, dating back to the times of fascism.

The two American scholars are convinced that it is still justified to term the American system as highly individualistic, and the German one as communitarian. There is also no doubt, that in two

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⁴ It should be added that it is not only the German welfare state model, which has been maintained, with slight modifications. Also the particularly developed Swedish welfare state model is surviving and seems no less effective that the systems of most OECD countries. Sweden still has the highest proportion of state expenditure of GDP in the world (approx. 65% in 1996). Earnings and income inequalities are still small and the position of trade unions is strong. The rights of the poor and the unemployed are still so high that even the high unemployment of the first half of 1990s did not cause a considerable growth of inequality or poverty (Korpi and Palme 1997).
other European countries communitarian attitudes prevail, that is in Austria and Sweden. Will the recent accession of these two countries strengthen this current within EU?

On what does the future of German socio-economic system depend? Suzan Berger seems to believe that it depends not so much on the communitarian attitude of German society, as on the will and commitment of the power elites. She has tried to capture the logic of competition between a system aimed at maximising short-term profit and that whose goals and resources are more socially oriented. “Absent is a political will to sustain institutions and values that transcend efficiency and growth, no national traditions, culture, or historical legacies by themselves can restrain market forces. Seen from this perspective, even if the Japanese and German systems do better in the long run, they are vulnerable. In a competition between the long term calculations about the uses of labour, resources, and capital characteristic of the political economies of these two countries in the post-war period and the short-term profit maximising of Anglo-American capitalism, economic opportunism will win. When deregulation or open borders give national capitalists the chance to escape constraints on wages, working conditions, layoffs, financial speculation, mergers, or environmental protection, they will – no matter their previous involvement in social democratic neo-corporatist, or Japanese-like lifetime employment systems. Given the general decline of the left and indeed of all those political forces in Western advanced societies that might sustain collective action on behalf of values other than competition and efficiency, market forces confront little opposition” (Berger 1996: 12).

The quoted words were written before the SPD came to power. There was a very short period, connected with Oskar Lafontaine, when one could have thought that the social democratic government would try to implement the traditional SPD policy of social accord based on compromise between capital and labour. Its policy was, however, full of zig-zags, which is why G. Schroeder was called by one of British newspaper, as “a swinging Chancellor”. Understandably therefore it is very difficult to guess what the SPD’s second term is going to bring. The outcome will also depend on the pressure of the CDU, whose leaders still seem to regard the social market economy as being a value that is worth defending. Here is what the chairman of the CDU Parliamentary fraction, W. Schauble, told a Polityka journalist when asked about his opinion about the conflict between Rhine capitalism and Anglo-Saxon capitalism: I prefer the traditional concept of the social market economy (...). Germany was doing quite well with its model. Now we
have some problems, because our model is too bureaucratic. However, we are starting reforms, trying not to move too close to a pure market economy. We will always have a social market economy, based on the elimination of differences by political means (Schauble 1998). However, the most decisive factor, which may compel the authorities to stop dismantling SME, will be the pressure of social movements, which have been growing in the last couple of years both in Germany itself and on an international scale.

**Poland’s social and economic burdens**

Western public opinion has long been informed about the great success of the Polish economy, whilst the ugly side has been, till recently, ignored. It is true that from 1994 to 2000 the Polish economy expanded rather rapidly (on average over 5% per annum rate of GDP growth). For the whole period of transformation Poland’s economy has experienced the greatest increase of GDP among the post-communist countries. However, the so-called “growthmanship” illusions helped to maintain a myth of successful transformation. For a long time it was ignored that this was a very one-sided type of growth. The Polish variant of the “trickle down” theory served rather as an ideological legitimisation of the emerging system. That is why Poland is facing several very serious social and economic problems. Additionally, the probable ‘after-accession shock’ may aggravate these problems. If we want to be prepared to deal with these problems, then it is necessary to analyse what they are before accession arrives.

**Massive and permanent unemployment.**

Unemployment grew from almost zero in 1989 to more than 16% in 1994 and after a temporary but not radical decline, it started to rise rapidly in the subsequent three years, approaching 1/5 of workforce. Even before the present recession, in the years 1998-2000, when there was still quite a high rate of economic growth (over 4% per year), the level of employment was declining. Quite a number of the unemployed went back to the village, augmenting disguised unemployment in agriculture. And what is more important is that the proportion of the unemployed entitled to benefits has been declining rapidly, due to our very restrictive law, with less than 20% of them receiving benefits in the Summer of 2002. In this situation, many of the unemployed see no advantage in being registered (Łagodziński 1999). Unemployment presently mainly threatens the youth, as Poland is passing through, and will be facing for a couple of years ahead, an exceptionally rapid growth of young entrants to the labour market. This helps to explain
why as many as 45% of young people (below 24 years old) remain unemployed. Thus, this exceptionally high rate of joblessness will surely continue to be a great and painful problem unless deliberate and broadly programmed action is taken. Unfortunately, the present governing coalition has undertaken inadequately modest measures designed to tackle unemployment and they assume that it will be still higher at the end of its term in office in 2005.5

The problem of unemployment is tightly connected with the difficult material situation of farmers (see below) and the housing catastrophe. Because of this a large section of the unemployed are located in the countryside, lacking both a place to live and work with the social advancement of the youth in the countryside severely hampered. Very recent information shows that only one in every 130 children, from a peasant background, reaches higher education. The conditions for the youth, from the countryside, gaining a profession are also very bad

*Widespread and growing poverty*

The transformation period brought about a significant impoverishment for a large section of the population and a continual growing tendency of growing poverty. According to the Vienna Institute of Human Studies (Rada 1998:24), the number of people receiving half the average disposable income or less (on an equivalent basis) amounted in 1995 to 18.3% in Poland, 9.3% in Hungary, 6.7% in Slovakia, 6.1% in the Czech Republic and 6.6% in East Germany. The subsequent years of high growth of GDP brought, surprisingly, substantial further impoverishment.

Here are a few figures showing the percentage of people in poverty, according to the three definitions of poverty: social minimum, minimum existence and the legal poverty line.6

**Social Minimum**

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5 A theoretical justification for inaction by the Minister of Labour (formerly a top official of the Solidarity trade union) was the public assertion that the “natural rate of unemployment in contemporary Poland is between 8 and 10%” (Komo³owski 1999)!

6 (Dryll 2002) All data comes from research done by the Main Statistics Office (Głównego Urzędu Statystycznego.) The social minimum is fixed every year (like the minimum existence) by the Minister of work and Social Affairs, allowing for the maintenance of a decent standard of living, e.g. having the necessary minimum expenditure for cultural activities. The minimum existence allows for the ability to satisfy the needs for a biological minimum standard. Those on an income lower than that mentioned above are entitled to receive social benefits.

According to Vienna Institute of Human Studies comparative research, an average of the total (main job and additional) earnings of woman was 56.7% of man’s earnings, lower than not only in Bulgaria, Czech Rep., Slovakia, Hungary, but also in Russia (Domanski, 1997:124).
Although comparisons are more difficult here, the proportion of Polish people living in poverty is one of the highest in Europe, west of the Ukraine. There is no doubt that the exceptional dynamics of growing poverty was prompted mainly by the growth of unemployment. At least five other factors should be mentioned:

- A sharp fall in real wages during the first two years of transformation, and its very slow increase afterwards;
- A “planned” lack of sufficient finance to fill the state obligation to persons getting income below the legally defined poverty line;
- Frequent cases of paying wages below the minimum wage. A new phenomenon, has recently emerged, “on job with suspended payment” (called in Polish “na bezpłatiu”) practised often for several months by hundreds of private firms;
- A decline in the effective transfer of wealth, which for a few years has “increased instead of decreased differences” (opinion of Prof. S. Golinowskiej in Dryll 2002);
- A rapid growth in homelessness. It is estimated that the number of homelessness stands between a few tens of thousands to a few hundred thousand people. Excepting the general level of poverty there are a few other shocking factors which contribute to this problem. These include ‘unrealistic’ rents, increased rights for evicting tenants and the lack of small-scale social housing and hostels.

*Exceptionally large disparities of wages and incomes*

These are associated with mass unemployment and the large sector of the population affected by poverty. As several research studies (Milanovic 1995, Atkinson 1996, Borkowska 1998) show, Polish disparities of income are the highest among central European countries and are amongst
the highest of the Western Europeans. Inequality, measured by a Gini coefficient (in 1996 - 34 for household incomes, 30 for wages), outstripped the majority of countries in Europe. “In 1999 Poland entered the group of the most in-egalitarian countries such as Italy and the USA…. Higher ‘non-civilised’ disparities are only in Albania and Russia” (Golinowska, 1999). We do not posses the data for the last three years, but one may be sure that they brought further increases of inequality.

The greed, or rather lack of top manager’s restraint in increasing their benefits, merits particular attention. Their earnings are already more than 60 times the average wage, a rate similar to that displayed in the United States a dozen or so years ago. Moreover, managers' salaries are still rising rapidly; led sometimes by the heads of state owned firms (this could not have happened without the quiet acquiescence of a governments even with a left wing label). Poland also comes out very badly in comparative studies of wage discrimination against women7. Before our eyes and with our silent or active complicity, we can see how an oligarchy of wealth has emerged (Harrod 1958 quoted by Hirsh 1977:23) bringing with it an oligarchic democracy. However policies designed to assist the poor, which are attracting increasing popular support, are likely to perpetuate the in-egalitarian system rather than destroy it. This is the 'paradox of redistribution' (Korpi, Palme 1997) which confronts social democratic governments.

Nineteenth Century working conditions in the private sector

Private firms generally do not respect health and safety regulations at work and do not comply with the conditions laid down in legally obligatory written contracts of employment. In regions of high unemployment and/or immigration from the East and the South, wages are often below the statutory minimum. Trade union activity is more than frequently not allowed, which is why “in the new private firms trade unions are practically absent, and in privatised firms are disappearing” (Gardawski, 1999, 2001). At the outset, this could be explained by the inexperience of the new owners, the exceptional situation, reorganisation and therefore a temporary breakdown in monitoring. We should, however, be deeply perturbed that the annual report of the State Labour Inspectorate (PIP) indicates that working conditions are far from

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7 According to Vienna Institute of Human Studies comparative research, an average of the total (main job and additional) earnings of women was 56.7% of man’s earnings, lower not only than in Bulgaria, Czech Rep., Slovakia, Hungary, but also in Russia (Domański, 1997:124).
improving, and actually are getting worse. Hopes for the private sector becoming more civilised are receding dangerously fading.

*The catastrophic situation with regard to housing.*

The number of apartments we are building now is about one third of the number we built thirteen years ago, despite waiting lists for a municipal flat of 5-8 years. This is despite mass unemployment, and a huge excess of production capacity in the steel mills and cement industry.

*Uncertainty of social and employee entitlements*

In order to finance transfers to growing numbers of poor people, including the unemployed and pensioners, the authorities felt compelled to cut pensions and other benefit levels. This is understandable perhaps, but ultimately must be attributed to a failure to combat unemployment. However the authorities have many times repeated that the Polish economy is over-socialised and declared their intention of reducing the share of state expenditure to one third of GDP. Poland belongs to those countries, which is reducing its scope of redistribution the most rapidly and we are approaching the level of Great Britain. In the Spring 2002 the present coalition, with the logo of the left, introduced a new law constraining employees entitlements (making the labour market more flexible), even although such liberal economist like O. Blanchard expressed the opinion that the recession is the worst time for such reforms.

*Annihilation of trade unions*

A huge social problem is the disappearance of the trade unions. They are virtually non-existent in the private sector (which makes up over 70% of GDP) with a clear tendency towards their complete disappearance. This primarily effects small and medium firms, although not exclusively. Also in a number of renowned western firms, from countries where trade unions are treated as business partners, there is an informal, although barely concealed, ban on the formation of trade unions. This situation is reminiscent of America during the thirties. Two historians of the trade unions wrote: “To the American labour movement the conquest of the right to exist was ever its paramount problem (...), to the American employers unionism has always remained the invader and the usurper to be expelled at the first opportunity” (Perlman, Taft 1953:621)\(^8\).

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\(^8\) I regard the emerged system as one of the most unjust social orders experienced in Europe during the second half of the twentieth century. The above-presented problems are simultaneously the most important characteristics of the present social and economic system, which has emerged during the last thirteen years. They were not necessary, but are the result of a political choice, a choice of a certain way of development and socio-economic model as a goal. Certainly, the system will continue to change. The public sector will contract in favour of the private sector, and there will be further marketisation of the
In the words of one of the researchers of social exclusion in Poland, one can say that: “Poland has the most unequal income distribution with a huge concentration of low wages and a small concentration of high (on a position higher than in countries richer than Poland) of wages. To put it in other words, set against all the other countries of central Europe Poland is pursuing the most elitist model of income distribution” (Beskid, 1998: 42).

**Conclusions**

Let us come back now to the fundamental questions facing Poland with regards its EU accession, alongside its mounting social and economic problems. I hope that in light of what has been said above, the reader will understand that Poland needs an extremely ambitious programme enabling a thoroughgoing recovery comparable to that of the United States or Germany in the thirties. In such a situation, one cannot rely simply on a cyclical recovery. This task clashes with an “accession procedure as usual”, which would most probably aggravate all the enumerated social problems and tensions. In this situation responsible politicians cannot rely only, or even mainly, on market forces.

A number of authors have already shown that the Polish economy is not very competitive. In addition, as is shown from the experiences of southern European countries, immediately after accession there is a radical growth in FDI with an influx of high technology and modern organisational economic activities. An effect of this process is that business restructuralisation is speeded up meaning that a significant growth in GDP will not create a growth in employment. On the other hand the scale of unemployment, especially that of youth unemployment, strongly connected with poverty, is so huge that normal monetary and fiscal tools are not in a state to face this challenge. Indispensable, therefore, are the deployment of extraordinary measures such as public work schemes; organising young people to build homes for themselves and others and the engagement of public authorities (in a similar fashion to what occurred in Germany directly after the war) in building flats and infrastructure.

State sector including in social services. But it is almost certain that the foundations of the new system, as one of the variants and components of the mega-system called capitalism, have already been laid. If one assumes that strong social movements will not come into the reckoning, then this new system is not threatened by reverses or radical change.
Can such developments occur within the institutional-organisational framework of the European Union? The answer to this can only be negative. Can we count on changes to the functioning laws to allow such a program to be implemented? Again the answer would seem to be negative. It seems that only unconventional solutions as an absolute exception to the rule, could be applied here, admitting that the Poland finds itself in an unusual situation and that this situation demands exceptional solutions. This would obviously demand not only the EU being prepared to recede its ground but also a strong commitment and ability of the Polish authorities to energetically apply these solutions.
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