POLAND, AFTER 25 YEARS OF TRANSFORMATION, COMPARED TO OTHER COUNTRIES. ANALYSIS OF SELECTED INDICATORS

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Abstract:
Year 1989 was undoubtedly a landmark for both Polish people and the rest of Europeans. Poland was the first country in Central Europe which has changed its state system and the national economy from a centrally planned one to free market. The article shows Polish situation in comparison with other European countries, after 25 years of transformation. The method used in this study is a comparative analysis of existing data. Compared indicators include: GDP per capita, indicators of quality of life and well-being of people in selected countries. The article draws attention to the socio-economic aspects of post-socialist transformation. It is not easy to analyze the results of the transformation in Poland due to the high complexity of this phenomenon. To objectify the assessment of changes which occurred in post-socialistic Poland, an attempt was made to compare the country with other European countries. The purpose of this article is to assess the quality of life of Polish citizens after the political transformation in comparison to other European countries.

Keywords: transformation, socio-economic development, progress, prosperity, quality of life, GDP per capita

1. INTRUDUCTION

Destructive processes and consequent creation of a new order are natural phenomena in functioning of numerous systems. Undoubtedly, the fall of the communist system was a turning point, imprinted in the history of human kind, which was essential both for countries facing it directly, as well as the whole world. This article focuses mainly on the situation of selected post-communist states. It outlines some of the aspects of the course of a transformation process as well as the current social and economic condition.

The policy of the communist system had various forms, depending on the country. In Czechoslovakia, a system of orthodox central planning was in force for the longest period of time. It characterises itself with elimination of market elements, central economic decisions and distribution of resources, at the same time relatively keeping relations with the rest of the world. In Poland, the system was open central planning, which was a milder form of an orthodox system as it had a certain level of decentralisation of decisions. On the other side, in Hungary, there was introduced a decentralised managerial system with an increased decentralisation of decisions. Such form of communism offered a greater opening to the world and highly appreciated consumption (Orłowski, 2010, pp. 63-65). Regardless the form of communist system, these countries faced a shortage of consumer goods, low technical and organisational progress, low competitiveness of manufactured goods and an excess of military reinforcement expenditures and a lack of capital for investments (Orłowski, 2010, pp. 66-67).

According to analyses, the communist system was ineffectual. Common problems included a low dynamics of economical growth and increasing discontent of people of the situation (Orłowski, 2010, p. 43). According to available data from UN, GDP per capita, regarding GDP of France as 100%, GDP in Czechoslovakia was 77%, in Poland 62%, 56% in Hungary and 50% in USSR (Orłowski, 2010, p. 47). Comparing these estimations with data from the declining phase of communism, one can state that there happened the process of degradation of East-Central European countries as far as economy is concerned. As per data of CIA, in 1989, GDP per capita in Czechoslovakia decreased to 49%, 28% in Poland, 38% in Hungary, while it increase to 57% in USSR (Orłowski, 2010, p. 50). Other European states were in the period of a dynamic economical development and well-being of their citizens. Invoking the theory of economy and the phenomenon of real convergence, East-Central European countries, being in the situation of other economical policy, should have achieved a faster pace of economical growth than Western states (Orłowski, 2010, p. 60). In fact, the situation was exactly opposite. Worsening situation in the years 1988-1989 led to a culmination of accumulating problems. Social discontent and frustration, a limited access to foreign investments resulting from a debt crisis, a global drop of stock prices (what resulted in a great decrease of incomes of USSR) and the policy of USA aimed at overthrowing Soviet domination led to a change of authorities in USSR (Kukliński, 2008, pp. 26-27), (Orłowski, 2010, pp. 117-120). The fall of communism was a unique phenomenon of a great historical importance. One of its results was a system transformation, which had various strategies and dynamics in particular countries. Post-socialistic transformation is a process of parallel changes, in politics consisting in shifting from one-party system to parliamentary democracy, in economy, from central planning to market economy, in society – from top-down controlling to civil society. All that transformations led to a formation of a new culture and mentality of citizens (Kołodko, 2007, p. 3). The character of them was complex, multi-aspect and long-lasting and their results are observed still today.

When beginning the transformation process, countries were of a various level of economical development and had various grades of readiness to accept system changes. One can assume that Hungary, where the form of communism was the lightest, i.e. with a decentralised system, was in the best condition to accept a market system (Orłowski, 2010, p. 132). An advantage of Poland was a high share of private enterprises when compared to the situation in other communist countries. Its disadvantages include a high inflation rate, which was at the level of 640% in 1989 and Poland was facing the threat of hyperinflation, while it amounted to 1,4% in Czech Republic and 18,1% in Hungary. What is more, Poland's external debt was extremely high, what could end with its bankruptcy (Orłowski, 2010, pp. 132).

As one can observe in analyses, Poland was in the worst initial situation, while Czech Republic and Hungary had a better start (Kowalski, 2009, p. 260), (Orłowski, 2010, p. 135). W. Orłowski, considering unemployment rate, average length of life and Gini coefficient, developed the index of social suffering for the first years of transformation (mx 100), which was estimated for particular states as following: Czech Republic – 10, Poland - 25 and Hungary - 22 (Orłowski, 2010, p. 159).

Particular countries undergoing the process of political and economical transformations vary in the terms of the efficiency of adaptation of processes which are results of the transformation. These countries managed to form efficient democratic systems and market economies with various effects. Currently taking place phenomena were determined by the history which plays a significant role in the present form of reality (Kołodko, 2007, p. 2). Introduction of market economy was an instrument to achieve a balanced and long-term development (Kołodko, 2007, p. 5). Thus, it is necessary to ask the question whether this aim has been achieved and what the situation of particular post-socialist countries is.

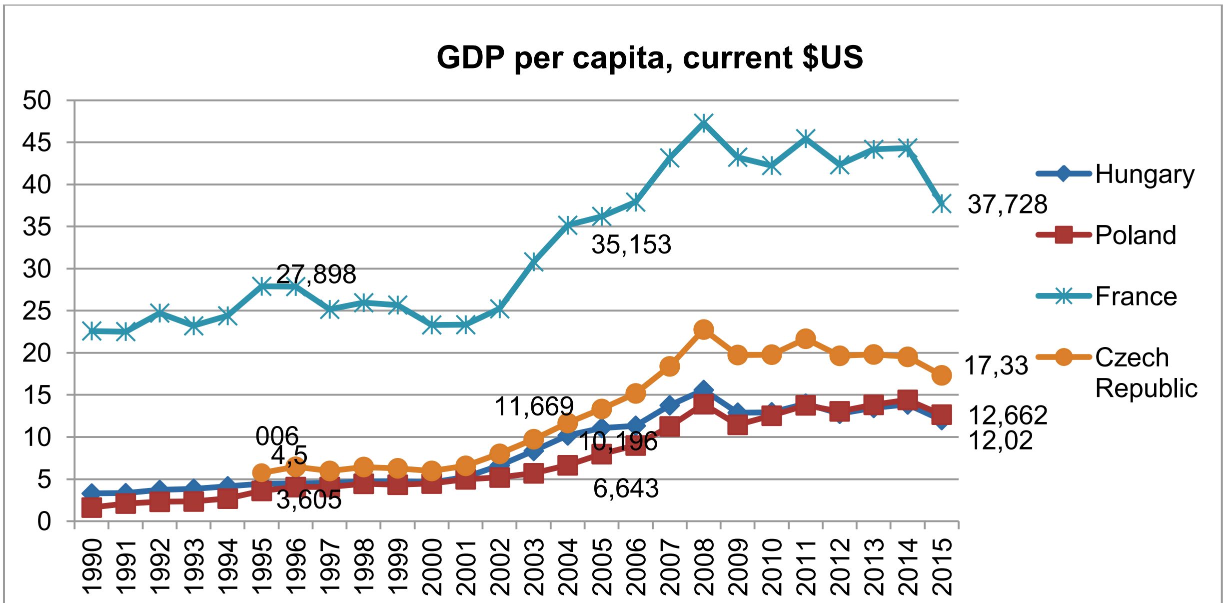
2. METHODS

The method used in this work is a comparative desk research analysis. Reports obtained from official sources constitute the research material. Apart from Poland, the comparative analysis concerns Hungary and Czech Republic. These countries have common historical experiences related with system transformation, taking place at a similar time – at the end of 1980s and beginning of 1990s. What is more, these countries are situated in East-Central Europe, all of them being so called developing countries (Sytuacja makroekonomiczna, 2015, p. 23). Hungary was chosen for the analysis as a country characterised by a gradual form of changing the system, while Czech Republic as a country of a better initial economical situation (Kowalski, 2009, p. 259). In order to present a broader perspective of the situation of post-communist states, there shall be stated values of particular indexes in the analysed years for France, as a country without communist system experiences and a well developed country. Due to limited framework of the article, it includes selected social and economical indicators such as GDP per capita, unemployment rate, overall life quality index and life satisfaction index. Previous works focus mainly on economical indexes, this is why the analysis in this article is broadened by social aspects. The aim of this article is to analyse and compare results of transformation in Poland in comparison to the situation of Hungary, Czech Republic and France.

3. ANALYSIS

At the beginning of transformation, we must differentiate the phase of shock and accustoming, taking place in the years 1990-1994. That was a particularly difficult period in the history of post-communist countries, related with substantial multi-aspect changes and attempts of adapting to the new situation.

Picture 1: GDP per capita



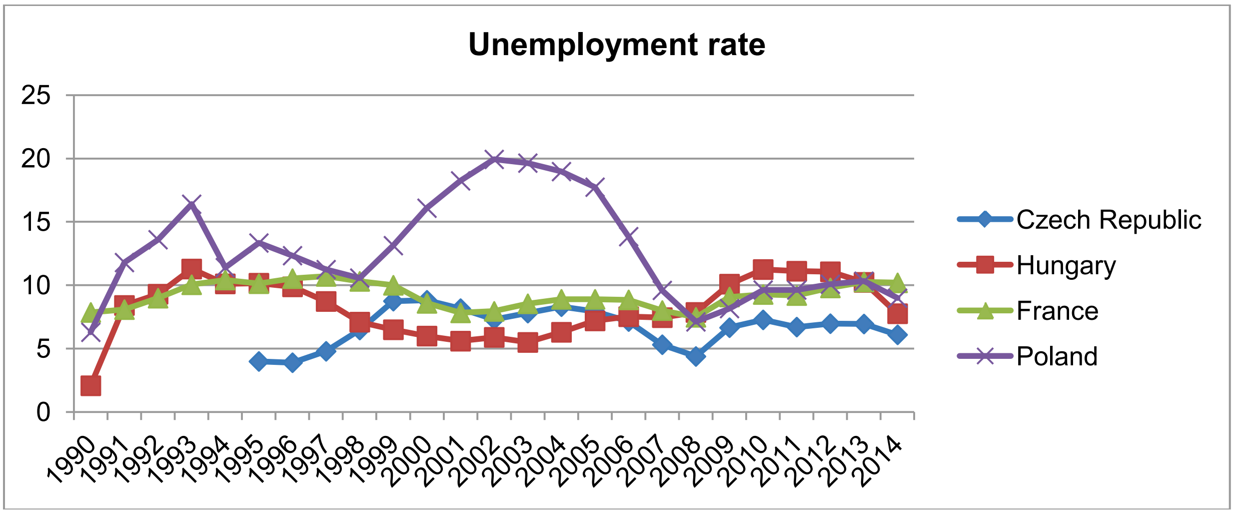
Source: Own work based on IMF World Economic Outlook

In the years 1990-1994, we observe a low growth of GDP per capita in countries subject to this analysis (data for Czech Republic by 1995 are unavailable). It was the time of a great drop in production, which was a result of supply and demand shocks as well as fluctuations caused by a gradual fall of Polish large national enterprises and formation of private companies. That resulted with an irrational use of factors of production and a development of grey market (Orłowski, 2010, pp. 142-143). In the described period, there took place a substantial growth of the share of the private sector in GDP from about 5% in 1989 to about 35% in Czech Republic, about 50% in Poland and about 45% in Hungary in 1994 (Orłowski, 2010, p. 144). Factors having an influence on the private sector development include a growth of formerly limited entrepreneurship of people, a transfer of resources from the national sector, a great demand for numerous services (Orłowski, 2010, pp. 152-153). During the first years after the fall of communism, post-communist states struggled with the weakness of public institutions, rapid changes of prices, fighting inflation, limiting military expenditures and a general need of stabilising the economy (Orłowski, 2010, p. 148). These problems were to be solved stabilisation programs implemented in that time (Kowalski, 2009, p. 260).

1995 is regarded as the beginning of a next phase in the process of transformation of post-communist countries. Market economy structures started to function more efficiently, however, variously in each of the analysed states. In all of them, a small gradual growth of GDP per capita was observed. It resulted from a dynamic growth of individual and common consumption and an improvement of the foreign trade balance (Orłowski, 2010, p. 167). Afterward, since 2001, one can observe a faster dynamics of the growth of GDP per capita, intensified even more in 2004 after the accession into the European Union. Even the sole aspiration for becoming an EU state was a motivator to changes in the aspiring countries. We notice a positive influence of the integration on the economy of these countries. Occurring GDP growth was caused by a growth of the quality of institutions, human capital, macro economical policy of particular countries and foreign direct investments (Orłowski, 2010, p. 179). Particularly high level of FDI per capita was noted in Hungary in 2006 and it amounted to 6,3 thousand Euros, while 5,7 thousand Euros in Czech Republic in the same year. Especially low grade of FID per capita was in Poland: 2,4 thousand Euros (Orłowski, 2010, p. 181). Such unequal inflow of foreign direct investments was caused by the country's investment image, perceived risk level, law in force and political stability (Orłowski, 2010, pp. 183-184). In 2008, there takes place a decrease of GDP per capita rate, what was a result of the global financial crisis, which caused financial instability, export collapse and limitation of investment flows (Jabłoński, 2012, pp.292-293). The highest GDP per capita among all analysed states was achieved by Czech Republic in 2015. It amounted to 17,300 thousand Dollars. Levels in Poland and Hungary were rather similar (both of about 12 thousand $). When compared to France, a well developed country without communist experiences, we notice substantial disproportions. When analysing the situation of East-Central European countries, one must also consider the general context of a wider range. Current situation of the described countries is also determined by processes of the global character such as a general dynamics of economical development (mainly caused by technological development).

Another analysed factor providing the background for the current situation of these countries and outlining the course of transformation is unemployment rate. Unemployment rate is a special factor for analyses of the situation in post-communist countries as unemployment is practically absent in socialist states.

Picture 2: Unemployment rate

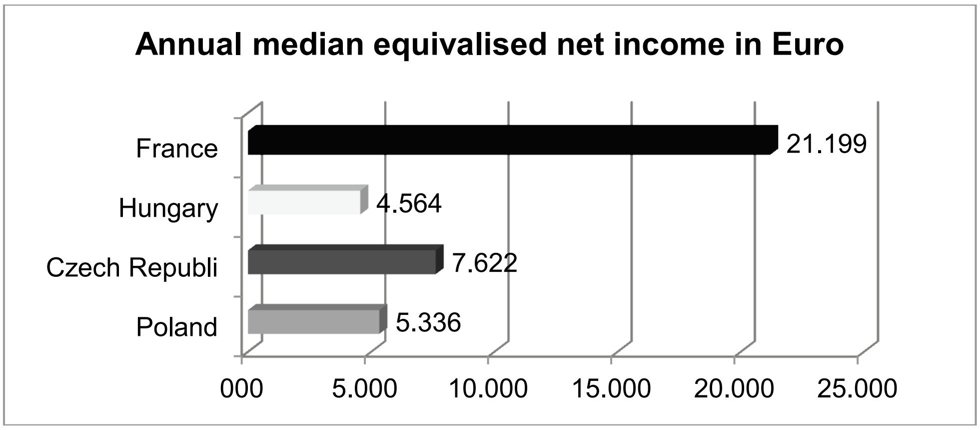


Source: Own work based on www.indexmundi.com

We observe a rapid growth of unemployment rate in the initial phase of transformation. Poland was the country with particular problems with stabilising unemployment rate in the transformation period. It noted the greatest fluctuations of this factor over the years and the highest level of unemployment rate, amounting to about 20% in 2002. The highest level of this rate in Hungary was observed in 2010: slightly above 11%. 8,5% rate was the highest value in Czech Republic and it was the state for 2000. Thanks to becoming a European Union member and opening of additional employment markets, Poland decreased its large unemployment, reducing it to quite stable level. Unemployment rate in the analysed post-communist countries in 2014 was at a similar level - 8,9% in Poland, 7,7% in Hungary and 6,1% in Czech–Republic. Current unemployment rate in these countries does not differ from the value noted in France in 2014 – 10,2%.

One interesting issue seems to be the level of income in the analysed countries. The below chart presents medians of annual incomes per capita in particular countries.

Picture 3: Annual income

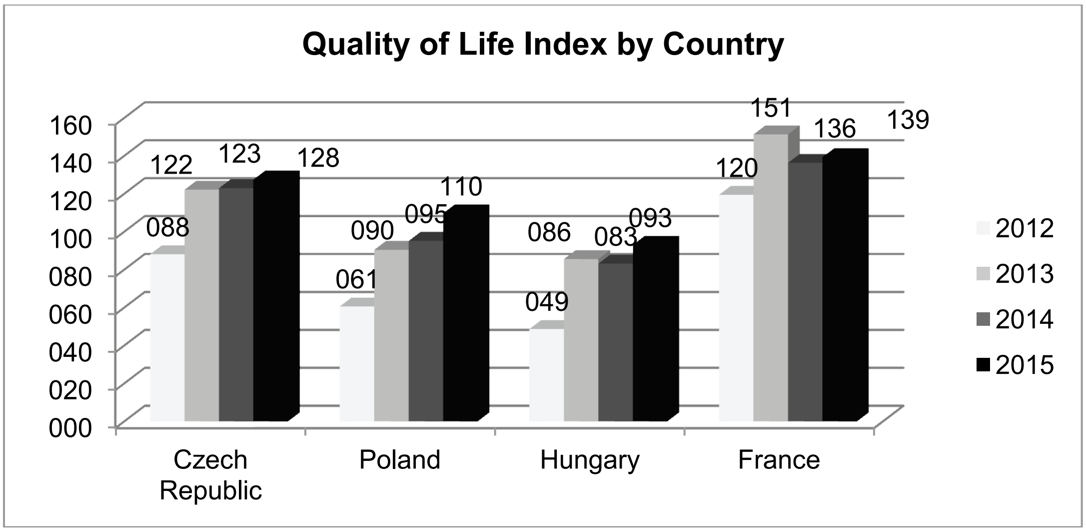


Source: Own work based on Eurostat

The highest incomes are in Czech Republic – not less than 50% of the society earns 7,622 Euro yearly. On the other hand, the lowest salaries are stated in Hungary, i.e. 4,564 Euro per capita. The annual value for Poland amounts to 5,336 Euro. We observe a substantial disparity when we take a look at incomes in France, amounting to 21,199 Euro in 2015.

Transformation had a serious influence on social life in particular countries. In order to determine the current situation of post-communist countries, we shall focus on factors of the social character. Due to limited framework of the article, the following analysis includes only values from last years. A synthetic measure of the quality of life is Quality of life Index, i.e. is an estimation of overall quality of life by using empirical formula which takes into account purchasing power index, pollution index, house price to income ratio, consumer price index, safety index, climate index, traffic commute time index and health care index (Quality of life index, 2016).

Picture 4: Quality of life Index



Source: Own work based on Numbeo Quality of Life Index

It is regarded that the higher value of quality of life index, the better life in particular country. The quality of life in East-Central European countries has been increasing in the course of last years. The highest values at the level of nearly 130 are noted in Czech Republic. Values for Poland and Hungary are substantially lower. The Hungarian index does not exceed 100, while in Poland it amounted to nearly 110 in 2015. Quality of life in France does not exhibit any stable growth in the course of years, taking higher and lower values. The maximal level was achieved in 2013 – slightly over 151. In general, one can say that quality of life in Czech Republic does not significantly differ from France, achieving similar values within last two years.

Interesting results can be observed when analysing another factor of the social character, i.e. overall life satisfaction of citizens of particular countries.

Picture 5: Overall life satisfaction

Source: Own work based on Eurostat

It turns out, that despite not very high social and economical factors presented above, the highest overall life satisfaction index is noted in Poland – 7,3. It is even better from the value for Frenchmen: 7,1. The lowest level is stated for Hungarian citizens - 6,1.

4. CONCLUSIONS

Undoubtedly, the period of system transformation was extremely difficult for post-communist countries in all analysed aspects: economical, political and social. This is proven by high rates of social suffering and low growth of GDP during the first phase of changes. However, after the initial period of shock, the analysed countries managed to build efficient market system and to achieve a stable and systematic economical growth. Despite the noted quite stable level of development, we can observe undoubtedly large disparity between analysed states and Western European countries (represented by France in this work) as far as social and economical development is concerned. Elimination of this difference shall require much effort, determination, rational and efficient management and time.

After 25 years of transformation, Poland is a developing country and a country providing conditions for development of its citizens which are definitely better than in the communist times. The base for developing an efficiently functioning state has been made. However, Poland still requires many activities as the transformation process has not been yet completed. The most essential problems of post-communist countries that Poland is facing now include repeating budget deficits, increasing public debt, high employment rate, low GDP per capita rate, low level of economy innovativeness, negative foreign trade balance and large social stratification (Siuta-Tokarska, 2011, p. 45). All of that makes that there is the need for corrective measures in the form of changes on the labour market, decreasing unemployment rate, improving the cooperation between the labour market and the educational system, increasing expenditures on scientific and research activity, supporting enterprises, increasing export and changes in state finances (Siuta-Tokarska, 2011, pp. 61-62). Tasks for the incoming years mainly include a balanced social and economical development, development of civil society and innovative economy, improvement of infrastructure and avoiding mistakes in the form of e.g. unsuccessful or redundant reforms (Górski, 2014, p. 20).

On the basis of all analyses presented in this article, we can draw a conclusion that Czech Republic managed in the transformation process slightly better than Hungary and Poland. They have the highest GDP per capita, the lowest unemployment rate, the highest median of annual income per capita, the highest quality of life index and a high value of overall life satisfaction rate. However, all these countries are on a good way towards further social and economical development. Although Poland has not the most beneficial values of indexes presented in this work, it should be evaluated at a high level, considering results in relation to other countries and analysis conducted by other authors (Kowalski, 2009), (Orłowski, 2010).

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