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Poland 2014: Twenty Five Years of Transition: Is Poland Now a Normal Country?

By Richard J. Hunter Jr. & Leo V. Ryan, C.S.V.
Seton Hall University, United States

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Poland 2014: Twenty Five Years of Transition: Is Poland Now a Normal Country?

Richard J. Hunter Jr. [α] & Leo V. Ryan, C.S.V. [σ]

Abstract- This article discusses the past twenty-five years of economic and political transition in Poland. It traces the origin of the "Polish dilemma" by pointing out the "Grand Failures" of the command-and-control economy; discusses the philosophical underpinnings of the reform effort; and delineates the major components of the Balcerowicz Plan—with a special emphasis on Poland's privatization program. The article then moves to a discussion of the importance of Foreign Direct Investment (FDI) in the Polish economy and describes several important surveys which point to the success of the Polish experiment in areas such as business attractiveness, overall climate for business, and business friendliness. In addition to providing up-to-date statistics on Polish economic performance through the end of 2013, the article concludes with an observation as to the future for Poland's commitment to economic change and economic development. The authors have spent more than twenty five years researching, writing, and commenting on economic transition in Poland, publishing more than 35 peer-reviewed academic articles, 51 papers, and two academic-research books during the period of their collaboration. Much of the background information for this paper is based on prior research, framed especially for this appraisal.

Keywords: command-and control economy; economic transformation; foreign direct investment; privatization.

I. Introduction

Consider this quotation:

"In just 20 years, Poland has reversed 500 years of economic decline. It hopes to soon join the euro zone of single currency nations. Foreign investment is flowing and the Warsaw stock exchange continues to grow. The remake of Poland is a remarkable feat, considering this nation, pinned between Germany and Russia, has spent the better part of the past 200 years fighting invasions, near complete destruction and communism's iron grip." (Talaga, 2013).

It is certainly demonstrable that "There is a Polish phenomenon of a growing, dynamic country that did not go through any recession when the rest of the Eurozone countries went through recession over the last five or six years." Ministry of Foreign Affairs, 2013, p. 3). Indeed, Stephan Faris of Bloomberg Businessweek noted: "With much of Europe still struggling to recover from the impact of the 2008 financial crisis, Poland stands as an unlikely island of economic success, a place where companies and individuals strive to plan for growth rather than decline." (Faris, 2013, p. 63). And, as Andrzej Ratajczyk reported: "Poland is climbing International league tables and improving its position among the world's most attractive investment destinations."(Ratajczyk, 2013, p. 57). What are some indications of this growth, competitiveness, and attractiveness?

In 1992, Poland's per capita GDP stood at 33 percent of the European Union fifteen member states. By 2012, it had more than doubled and had grown to 60 percent. In 2009, the GDP of the European Union had contracted by 4.5 percent, yet Poland's GDP saw a growth—modest as it was—of 1.6 percent. While the EU economy as a whole "remains smaller than it was at the beginning of 2009…, Poland is projected to enjoy a cumulative growth of more than 16 percent." (Faris, 2013, p. 63).

Marek Belka, former Deputy Prime Minister and Minister of Finance (1997 and 2001-2002), and Prime Minister (May 2004 to October 2005), commented on the reasons for Poland's economic "resilience." He cites balanced economic growth, a floating exchange rate, a stable current account balance, a flexible labor market with less than 10 percent of Polish firms covered by automatic wage indexation (Ministry of Foreign Affairs, 2013, p. 16), a well-capitalized banking sector, and well-managed public investments. Bloomberg Businessweek underscores Minister Belka's comments and cites Poland's "large internal economy, a business-friendly political class, and a hyper-charged potential of a developing country catching up with its western peers." (Faris, 2013, p. 63).

These factors have resulted in Poland attaining the 42nd position out of 150 countries in terms of global competitiveness in a report issued by the World Economic Forum. According to the A.T. Kearney Global Services Location Index, Poland is in the 24th position—jumping from 38th position in 2009 in terms of its service sector, noting that "Poland enjoys sole position in terms of modern business services in Central and Eastern Europe. More than 400 business service centers with foreign capital are already in operation across the country, with a combined work force of 111,000." (Reported in the Warsaw Voice, 2013, p. 37). And, according to the 2013 World Bank rankings on Doing Business, Poland moved up 19 positions from 2012 from 74th to 55th position.

What do these statistics indicate from a historical as well as a practical point of view? (Adapted

Author α σ: (Hunter): Seton Hall University; (Ryan): DePaul University.
e-mails: hunterri@shu.edu, leovryan@viatorians.com

from Hunter & Ryan, 2006). From the perspective of more than twenty years, it is now possible to state with certainty that despite a "propaganda of success" trumpeted by adherents to the former system, the system of central planning, also called the command-rationing method or CRM, literally had imploded because of a combination of four interrelated factors, which we have termed as the "Grand Failures" of the socialist system as it existed in Poland:

a) Failure to create economic value or to improve the standard of living for the average Pole;
b) Failure to provide adequate individual and organizational incentives;
c) Failure to "measure up" to comparative economies, not only those capitalist economies in the West, but also several "fraternal" socialist economies in Central and Eastern Europe (most notably, Hungary, Czechoslovakia, and Slovenia—then a part of Yugoslavia); and
d) Failure to satisfy basic consumer needs, essentially creating an unofficial dollarization of the Polish economy through the existence of a large, open, semi-official, and surprisingly efficient black market, and the existence of official "dollar" stores and foreign currency shops.

The Attempt at Reform of the CRM

In attempting to implement the macro and micro economic strategies required to affect the enormous policy shift from the CRM to one based upon a free market philosophy, certain core assumptions were adopted by the Mazowiecki government in the initial period after it came to power in the summer of 1989:

a) The authoritarian nature of society must change into a society based on administrative and bureaucratic competence, so as to weaken the decisive role of central authorities and to strengthen the role of the market in critical resource and financial allocations and in the management of the economy;
b) The top-down "command-and-control" economy and bureaucratic-administrative system (Generally, Balcerowicz, 1995; Hunter & Ryan, 2000) had to change into one based upon information sharing, transparency, and consultation in Polish society; and
c) The state-dominated and state-centered society must change into a full civil society (Hunter and Ryan, 1998, p. 162), marked by community self-governance, economic discipline, honest career building, and one in which "independent individuals characterized by self-esteem, self-reliance, and self-empowerment" (Fulin, 2002) were in charge of economic decision- making.

In this context, we have raised three key "policy questions" which are at the core of economic transformation:

- How would it be possible to create capitalism in a nation where there was neither capital nor capitalists?
- What should be the role of the nomenklatura and other former-Communist Party members in the political and economic life of Polish society? And,
- What would the system do about workers and others most negatively affected by the transition?

As might be imagined, because of the dual economic and political aspects of the CRM and the enormity of its negative legacy that had led to an almost total collapse of the economy in the period immediately before the Round Table in 1989, reform of the central planning system posed a considerable challenge. From the outset, "real" reform involved a delicate blending of both political and economic considerations in the following macro strategies:

a) Attaining political stability and pluralism, which would be accomplished through holding free and multiparty elections as soon as possible. The initial elections agreed upon at the Round Table took place on June 4, 1989, in which Solidarity was victorious, winning all contested seats in the lower house or Sejm and "winning ninety-nine of a hundred seats in the Senate. The first non-Communist government in East Europe (since Yalta) was formed with Tadeusz Mazowiecki named Premier. Lech Walesa was elected President of the Polish Republic in 1990." (Kubow, 2013, p. 14).
b) Implementing a program of "real" economic reform with the evolution to a private market economy, involving an emphasis on the development of a substantial private sector through a multi-track program of privatization; and
c) Creating the basic institutions of capitalism, including a private banking system, credit institutions, customs and clearing houses, currency exchanges, a private insurance system, the reintroduction of the Polish stock market, the creation of investment funds and investment vehicles, and the introduction of a new system of taxation into Polish society (which eventually included a drop in Poland's top personal rate of taxation from 40 percent to 32 percent and the introduction of a corporate rate of 19 percent).

In the process of economic transformation, following the elevation of Tadeusz Mazowiecki to the position of Prime Minister in the summer of 1989, Finance Minister and Deputy Prime Minister Balcerowicz was aided by a well-prepared transition team consisting of both Polish nationals and so-called Polonia (émigré) specialists. The leading foreign experts were certainly then Harvard Economist Jeffrey Sachs (now the Director of the Earth Institute at Columbia University) and David

Lipton. (Generally, Sachs, 1993, pp. 45-46; Lipton & Sachs, 1990, pp. 293-339).

The "Balcerowicz Team" consisted, among others, of Marek Dabrowski, later deputy in the Ministry of Finance; Stefan Kawalec, first chief adviser, responsible for financial institutions; Janusz Sawicki, responsible for foreign debt negotiations; Andrzej Podsiadlo, who oversaw state enterprises; and Grzegorz Wojtowicz, first deputy chairman of the Polish National Bank, and its chairman in 1991. All were graduates of the Faculty of Foreign Trade of the Central School of Planning and Statistics in Warsaw, Poland's premier school for state planning and for producing "policy experts." Wojciech Misiag and Ryszard Pazura were also deputies in the Ministry of Finance. In addition, the team included numerous foreign advisers—Jeffrey Sachs, David Lipton, Wladyslaw Brzeski, Stanislaw Gomulka, Jacek Rostowski, and Stanislaw Welisz—and Polish ones—Karol Lutkowski, Andrzej Bratkowski, Antoni Kantecki, Adam Lipowski, Andrzej Parkola, and Andrzej Ochocki. Many of the foreign advisers were of Polish origin—so called Polonia academics. Minister Balcerowicz was a Professor of Economics at the Warsaw Institute of Economics. Balcerowicz had graduated from the Faculty of Foreign Trade of the Central School of Planning and Statistics—now the Warsaw School of Economics. Between September 1972 and January 1974, Balcerowicz had studied business administration at St. John's University in New York City. In 1978, Balcerowicz presciently had established a "think tank" composed of ten young economists who would meet regularly to discuss and debate potential programs for economic reform. These informal meetings shaped the program of transformation adopted by the Mazowiecki government and subsequent Solidarity governments, and greatly influenced all post-1989 Polish governments—both positively and negatively—in their policy assessments. Former Prime Minister Mazowiecki died in November of 2013 and has been acclaimed as one of the most important persons of the transition period.

II. Components of Economic Reform

Mirroring what has come to be known as the Balcerowicz-Sachs model, Poland undertook the following concrete actions as the main components of its process of economic reform and transformation:

- Liberalizing prices from state control, opening up the economy to foreign trade, and formalizing and simplifying the requirements for new market entry;
- Stabilizing the Polish zloty, eliminating hyperinflation, regularizing public finance, and managing foreign debt;
- Effecting changes in the economy leading to privatization of state property and to an increase in the nature and volume of international trade;
- Remodeling and upgrading the important social-safety net, most especially, the pension, education, social insurance, and unemployment systems (largely still not accomplished);
- Assuring eventual full convertibility of the Polish zloty;
- Gaining extensive external assistance of the International Monetary Fund, and the "London" (private commercial creditors) and "Paris" Clubs (public creditors);
- Gaining full membership in NATO, the OECD, and the European Union;
- Creating new market institutions, a viable commercial code, a revised tax code, recognizing private property rights, and the creation of a financial and capital market—perhaps most importantly, the creation of a viable stock market and a properly functioning central bank. (See Appendix I: An Informational Note).

a) *The Privatization Process: A Multi-Track Approach*

The multi-track approach to privatization involved the simultaneous implementation of a multiplicity of strategies including: reprivatization to former owners, the "small" privatization process, eventual privatization by liquidation, "mass" privatization, and the sectoral approach involving the creation of the National Investment Funds (NIFs). (Hunter & Ryan, 2008). In this context, four specific options or variants for privatization in Poland were adopted: commercial (traditional) privatization through the capital market; privatization through employee ownership (ESOP option); privatization through some form of general and diffuse "citizen ownership"; and privatization through institutional investors. (Blasczyk & Dabrowski,1993, p. 64). In the first half of 1990, more than 100 state-owned-enterprises indicated their interest in participating in the privatization process. On September 27, 1990, the Ministry of Privatization undertook its first major step. Professors De la Rosa, Crawford, and Franz (2004) report that the "Magnificent Seven," a name given to the first seven enterprises privatized according to the 1990 Law on Privatization, were established as wholly-owned companies of the Polish state treasury. This group included Exbud (construction), Fampa (industrial paper production machinery), Inowroclaw (meat packing), Kable (industrial electro-engineering), Krosno (commercial and consumer glass products), Norblin (metal industrial products), and Prochnik (clothing). When the public subscription began on November 30, 1990, shares of Exbud, Kable, Krosno, and Prochnik, as well as a new firm, Tonsil (electro-acoustic equipment), were offered to the public. (De la Rosa, Crawford & Franz, 2004, pp. 121-134).

A bit of the history of the sectoral approach is in order. Fifteen national investment funds or NIFS were initially created to implement the "mass privatization" program and to provide the necessary framework in order to restructure and privatize more than 500 state-owned-enterprises or SOEs. (Act on the National Investment Funds and Their Privatization, 1997). In December of 1994, the Ministry of the Treasury established the fifteen funds as joint-stock, limited liability companies. During the next two-year period, the Ministry transferred the shares of the SOEs to the NIFS, retaining 25 percent in the Treasury and reserving 15 percent for employees. Share certificates were then distributed to Polish citizens—with more than 27 million Poles eligible to purchase one certificate each for twenty zlotys (approximately U.S. $7.00). One original certificate purchased on the so-called primary market could later be redeemed for one share in each of the 15 NIFs. The funds began trading on the WSE on July 15, 1997. The mass privatization program, conducted between 1993 and 1996, resulted in the creation of over 1.5 million individual investment accounts through the state Treasury program. Poland is clearly coming to the end of its program of privatization. While there are more than 200 companies that are on the list of companies still to be privatized, these tend to be "smallish companies," with less than two-hundred employees.

Historically, in terms of reprivatization, attempts by some German nationals to pursue claims against Poland for compensation for various expropriations carried out in Poland in the period following World War II seem to have been foreclosed. This is the conclusion reached by the team of Polish and German attorneys, headed by Jan Barcz (Poland) and Jochen Frowein (Germany), in a report presented on November 10, 2004. The report indicated that the question of claims was finally closed by a Declaration made in Warsaw on August 1, 2004 by then Germany Chancellor Schroder who stated unequivocally that there was "no room for property claims connected with World War II and that the [German] federal government did not support individual claims." (Polish Voice, 2004, p. 8; generally, Luxmoore, 2004; Hunter & Ryan, 2004). The issue of returning property or offering compensation to relatives of those whose property was confiscated either by the Nazis (1939-1945) or the Communists (1945-1989) is much more difficult and problematic. (Greenberg, 2005). To this date, there has not been a final, national solution to the problem, although individuals may file claims which will be adjudicated on a case-by-case basis.

As an overall macro assessment of the Polish economy, Stephan Faris summarizes the results of the transformation as follows: "From 1989 to 2007, its economy grew at 177 percent, outpacing its Central and Eastern European neighbors as it nearly tripled in size…." (Faris, 2013, p. 62). Mariusz Adamiak, Chief Financial Officer of PKO Bank Polski states, "Poland's transformation from a centrally planned to a market economy proved to be a tremendous success." (Warsaw Voice, 2013b, p. 47). In fact, since joining the European Union, Poland has been able to absorb almost 101.5 billion euro ($137 billion) from the European Union, with a major portion of the capital used to finance the development of Poland's infrastructure. According to the Financial Times, in the period 2014-2020, "Poland again will be the largest recipient and will receive 73 (additional) billion euro in structural funding. That, added to the 25.5 billion euro in Common Agricultural Policy Funds, will send another modernizing jolt through the economy." (Cienski, 2013, pp. 1-2).

III. Foreign Direct Investment: The Key to Success

It is important to note that from the outset, the attraction of foreign direct investment was an important—perhaps indispensible—part of overall economic transformation of the Polish economy. (Hunter & Ryan, 2012; Hunter & Ryan, 2013). One of the main reasons for the emphasis in Poland on attracting Foreign Direct Investment [FDI] was that there were few domestic options available in 1989 for a rapid and radical transformation of the Polish economy.

According to the Polish Information and Foreign Investment Agency [PAIiIZ] since the early 1990's, international business has so far invested over USD 200 billion in Poland. (www.paiz.gov.pl).This clearly ranks Poland as a regional leader. The most significant inflow of FDI could be observed in the period 2006-2007, the lowest inflow between 1994 and 1996. Indeed, in the early 1990s, state owned enterprises or SOEs were responsible for more than 80 percent of Poland's GDP. In 2013, they account for less than 20 percent. Two factors converged to create this phenomenon—the success of the privatization process and the development of the private sector—both of which were accomplished at least in part by the infusion of foreign direct investment into the Polish economy.

Six factors have been identified as basic preconditions to Poland's continued success in attracting foreign direct investment:

- Poland's large potential domestic market. As of the fall of 2013, Poland's population stood at approximately 38,500,000. The largest numbers of residents are to be found in the voivodships of Mazowsze, Śląsk, Wielkopolska, and Małopolska and the least in Podlasie, Opole, and the Lubuskie regions. As might be expected, population density is directly related to the development of industry and the infrastructure in the region. As a result, urban population accounts 61.8 percent of the country's population, of which the largest concentrations are found in the voivodships of Dolny Śląsk, Zachodniopomorskie, and Pomorze. The remaining 38.2 percent of people live in rural areas; the largest populations were in the Lublin, Podkarpacie, and the Swiętokrzyskie regions.

- Mainly as a result of the boundaries of Poland, drawn as a result of World War II, 96.7 percent of the population is "ethnically Polish." Of the remaining 3.3 percent of the population, there is a pattern of "self-declaration," with some declaring themselves to be German, Belarusian, Ukrainian, and Romany, with 2.1 percent not stating their ethnic origin. It might also be interesting to note that the character of Poland's social structure has seen a shift once again. The Warsaw Voice (2013b) reports that by 2020, the number of farms in Poland will have dropped to around 370,000 from its current two million figure. Agriculture occupies 12 percent of the Polish workforce, while producing only 3.8 percent of GDP—indicating rather low productivity in its farming sector, once considered the mainstay of the Polish economy;
- Relatively low labor costs. The GBS Recruitment Agency reports: "Poland's employment costs are among the lowest in the whole of Europe. The country's wage costs are not only lower in comparison to western Europe, but also when compared to Slovenia, Estonia, Slovakia, the Czech Rep., Hungary and Latvia. Lower employment costs in national average incomes can only be found in Ireland, Greece and in Italy. When compared to Central and Eastern Europe, lower employment costs are only to be found in Rumania. Lithuania and Bulgaria have similar wage levels to Poland." (Bukanski, 2013);
- Poland's location. PNO Consultants note: "Poland due to its central location in Europe, has very favourable road, rail and aviation links with all of the EU countries and is well placed to trade with the EU neigbours in the East. Poland's three main sea ports, Szczecin-Świnoujście, Gdynia and Gdańsk, are connected to the world's most important ports. All this makes Poland the best location for companies that are active in both the Central and Eastern European markets." (www.pnocee.com).

The report continues: "The infrastructure of highways, rail, airports, and harbours is improving fast after a sluggish decade of neglect. The legal system improved significantly in the past decade, ensuring reliability to the business community."(PNO Consultants, 2013).

- A stable and transparent legal and tax system;
- A well-educated labor force which is able to carry out projects involving a strong advanced technology component. The number of higher education institutions in Poland in 2011/2012 is 400, of which 328 are private. There are 1,764,000 students in these institutions, of which 520,000 studied at private schools. (Sarmatian Review, 2013); and
- Solid macroeconomic policies.

Andrzej Ratajczyk, who writes for the Warsaw Voice-Business & Economy section, noted in 2010: "Foreign investors have welcomed the stability of the Polish economy and its prospects for further growth." (Ratajczyk, 2010, pp. 45-47; Ratajczyk, 2011, pp. 8-10).

a) Poland According to Some Recent Surveys

According to the Ernst & Young Attractiveness Survey (2013), "In the next three years Poland will be Europe's second most attractive investment site after Germany." The Report noted that "While 35 percent of the 840 corporate managers surveyed said they considered Germany as Europe's top investment destination, 10 percent opted for Poland. This placed the country in second position in Europe, before economic powerhouses such as Britain (8 percent), France (4 percent) or Russia (7 percent) in terms of investment attractiveness." (EY,2013). The report highlighted Poland's very stable macroeconomic situation and underscored the views of Andrzej Ratajczyk. "Two or three years ago businesspeople and corporations considered investing in Poland without having too much knowledge about the country. Today, they ask very concrete questions regarding particular cities. Poles working abroad are also the country's ambassadors." (Warsaw Business Journal, 2012).

The consulting firm of PwC bolsters the conclusions of Ernst & Young in its Central and Eastern Europe Economic Scorecard—A Sustainable Future in a Great Region, when it writes: "Poland's economic growth prospects and the size of its economy make it the most attractive market in Central and Eastern Europe." (PwC, 2013). The report considered the following investment factors in its decision-making:

- Access to global markets and domestic market prospects;
- Human capital;
- Financial sector development;
- Knowledge resources;
- The relationship between labor costs and the quality of human capital;
- Financial, political and environmental sustainability; and
- A nation's tax system, governmental institutions, infrastructure and overall transparency of the economy.

What did the PwC report indicate as to future prospects for Poland? The analysis cited Poland's stable political environment, human resources, and labor costs as three significant positive factors. On the negative side, however, Poland's largest challenge

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continues to be its infrastructure, falling behind Hungary, the Baltic States, Slovenia, and the Czech Republic.

A third survey, again conducted by EY (formerly known as Ernst & Young), done in conjunction with the University of Navarra in Spain, mirrored both previous surveys, and ranked 118 countries according to their "attractiveness for venture capital and private equity funds," taking into account a country's overall economic performance, its capital market, tax regulations, corporate governance standards, and the quality of its human capital. Poland moved up one place to number 28—which is five places higher than the first table compiled in 2009. Poland ranked higher than such "power house" economies as India, South Africa, Italy, and Brazil and higher than countries with which Poland regularly competes for investment such as Turkey (33), Czech Republic (35), and Hungary (42). The EY report noted an increasingly strong business sector, the stability of the Polish economy, and a continuing attractiveness to venture capital and private equity. Especially strong ratings were given to Poland's capital market, overall economic activity, and the "friendliness" of its tax system for both venture capital and private equity. The survey found that Poland ranks 41st in the world in terms of its tax system (the United States ranks 37th)—showing an improvement from its first ranking of 80.

There has also been one persistent negative—that is, Poland's unemployment problem. Unemployment remains "stubbornly high" at 10.3 percent; however, among Poland's young, the figure stands at an alarming 26 percent. (www.tradingeconomics.com/poland/unemploymentrate). As an indication of Polish society's impatience with persistent unemployment, in September of 2013, Poland's trade unions organized the most massive demonstration since 1989. The Prime Minister (Donald Tusk) reshuffled his cabinet, fired the incumbent Finance Minister, and pledged to accelerate economic growth in an effort to positively impact the unemployment rate and to attempt to appeal to Poland's workers in anticipation of parliamentary and presidential elections in 2014 and 2015.

IV. Some Tentative Observations

What is clear from this brief retrospective study is that Poland has made amazing strides since throwing off the shackles of its central planning past and boldly embarking on a program of reform twenty five years ago. On the political front, it must be recognized that none of these changes would have been possible without the creation of the Solidarity movement. Writes Magdalena Kubow: "it is crucial for Poles to remember their heritage is continually striving to fully achieve their heritage in continuously striving to fully achieve freedom from the remnants of their oppressive recent past." (Kubow, 2013, p.14).

On the economic front, partly responsible was the monumental decision made by the Mazowiecki government, under the leadership of Finance Minister Leszek Balcerowicz, to adopt its strategy of "shock therapy" and move towards both political and economic reform at the same time. In rejecting the "gradualist" strategy adopted by China, Russia, and others, Poland was called upon to make hard economic and political decisions at a difficult time period, pushing Poland to what Professor Mieczyslaw Nasilowski, a scion of the nomenklatura system, termed would be the "barrier of social endurance." In retrospect, although perilous from both the political and economic standpoints, the strategy turned out to be the right one—turning Poland from economic catastrophe to the only nation in the EU that was able to avoid the worst negative aspects of the deep recession of the past five years.

However, the question remains: Will Poland have the courage to continue down this path in the face of mounting political and economic turmoil and the specter of a new round of elections in the immediate future that will certainly be divisive and contentious? Only time will provide that answer.

Appendix I: Informational Note

The Warsaw Stock Exchange (WSE) dates back to 1817. The exchange had ceased its operation in 1939 after the German invasion of Poland. The WSE recommenced activity on April 16, 1991. It has operated on the basis of the Act on Public Trading in Securities and Trust Fund of March 1991 and the Law on Public Trading in Securities of August 21, 1997, under the supervision of the Polish Securities Commission (PSC). (Dziennik Ustaw (The Journal of Laws), 1994); Dziennik Ustaw (The Journal of Laws), 1997). An Act Amending the Law on the Public Trading of Securities and Amending Other Acts (dated March 12, 2004) was later enacted by the Sejm. See Dziennik Ustaw (The Journal of Laws), 2004). The State Treasury established the Warsaw Stock Exchange as a joint-stock company in April 1991. In 1999, the National Bank of Poland (NBP) became the "clearinghouse" for all securities transactions. As of November 6, 2013, 446 individual companies, with a market value of 208.2 billion euro, were listed on the exchange, in addition to the fourteen operating National Investment Funds (NIFs). (www.gpw.com.pl (the official website of the Warsaw Stock Exchange). The Stock Exchange is known in Poland as the GPW—the initials stand for the Gelda Papierow Wartosciowych). As noted by Professors de la Rosa, Crawford, and Franz, the Polish Security Commission or PSC was modeled on the U.S. Securities and Exchange Commission, while the WSE was modeled on the Paris Bourse. (Buczek & Grzedzinski, 1991, p. 10). The WSE is actually the largest stock exchange in Central and Eastern Europe, with 20 percent of the capitalization of the CEE capital markets.

The State Treasury still hold a 35 percent share in the Exchange.

In the years 2006 to 2012, Polish market capitalization grew by 19 percent, whereas over the same period, all of the other EU countries' stock exchanges capitalization dropped by 20 percent. In terms of the trading volume of the WSE during this same period, its growth amounted to 12 percent, whereas the trading volume in EU countries dropped by 43 percent. For an update on the recent amendments to Polish securities laws, see Andrzej W. Kawecki and Justyna Miodzianowska (2013).

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