

On a Just System

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Prof. Tadeusz Kowalik (1926-2012) was one of the few Polish economists who advocated a fairer model for the Polish transformation, based on the examples of Scandinavian countries

Kowalik's full title used to be given as "professor in humanities and economic science," and although he did not like formal titles, this suited him perfectly; he regarded economics, after all, as one of the humanities. His central interest was in people – their lives, well-being, and development – and he devoted particular attention to the least affluent members of society. This was his way of looking at the world and it was on this basis that he evaluated the changes in Poland.

In his opinion, the system that was established after 1989 is one in which, for many, "there are no jobs or affordable accommodation." In 1996 he wrote that "Poland has adopted one of the most unjust socio-economic systems in Europe in the second half of the 20th century." A system of limited economic effectiveness, and one which is painful for society.

The lesson of Sweden ignored

Back in 1989, Poland had had a choice of several possible directions before it, which were outlined on many occasions by Kowalik, most notably in his *Economic Systems*. He was particularly attached to the Scandinavian model. A program of reform leading to the establishment of such a system was being proposed in Poland both before and after 1989, but was rejected by those in power. In this connection, Kowalik spoke of the "ideological failure" of Polish's first non-communist Prime Minister Mazowiecki, believing the source of this failure to have been within the Mazowiecki government, rather than the pressure of external circumstances. These were admittedly unfavorable: the pressure from neoliberals and conservatives was strong, though not overwhelmingly so.

Kowalik did not use such phrases, but the situation as it was then exhibited what could be described as "repres-

sive tolerance" and "symbolic violence," which obscured the fact that, according to Kowalik, "there were enough reasons not to 'choose' the easiest way – the neoliberal, Anglo-Saxon system." In Poland, Kowalik writes, "the lesson of Sweden has been ignored."

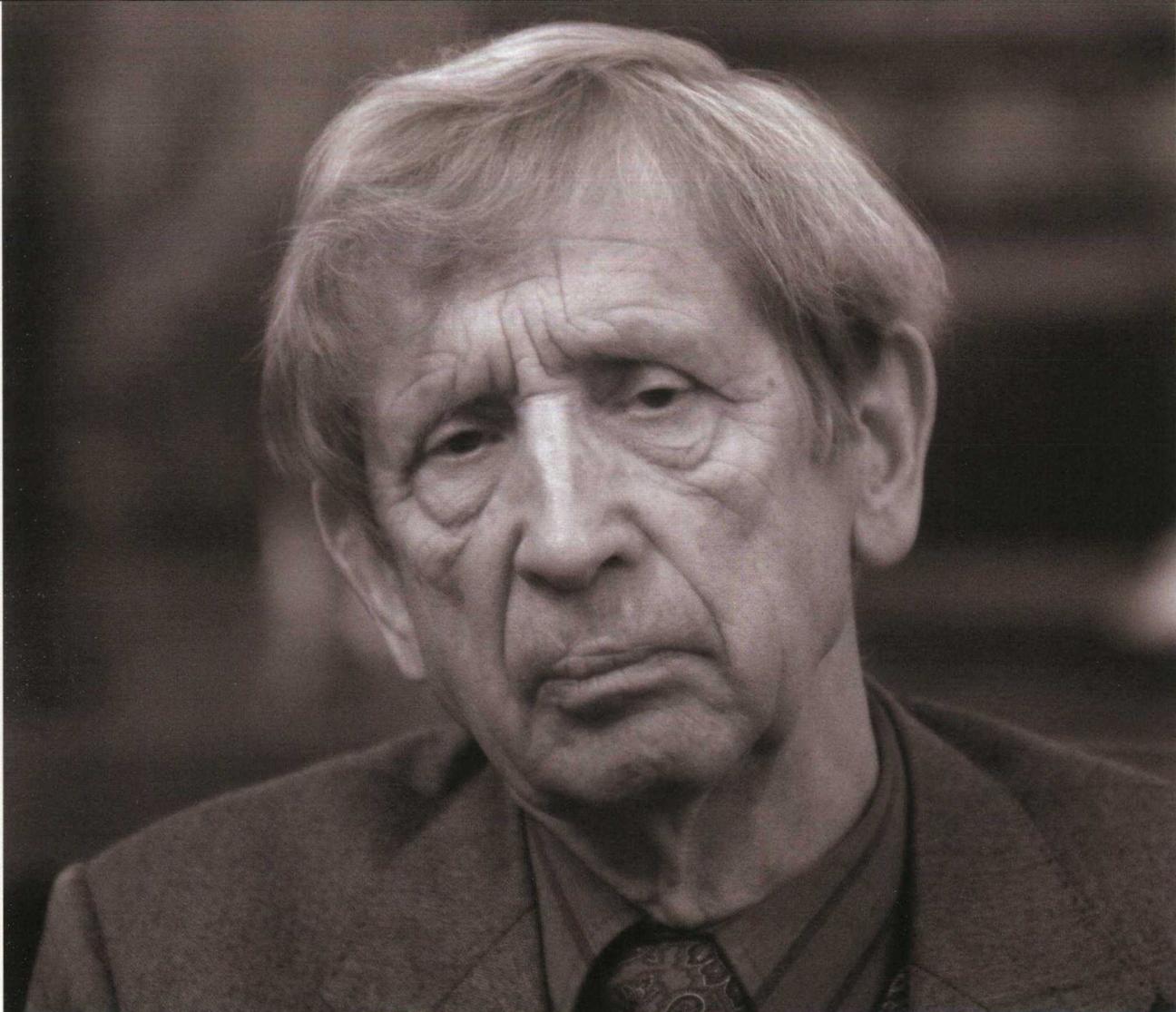
The Polish choice resulted from specific ideas and social movements. In Poland, observes Kowalik, politically and socially conservative ideas were chosen, and the revolution started by the Solidarity movement became a counter-revolution. These ideas originated from various authors and their Polish imitators. In this context, Kowalik mentions Friedrich Hayek, Milton Friedman, the monetarists and neoliberals, along with prominent Polish economists Leszek Balcerowicz and Stanisław Gomułka.

Of greater significance are the positive ideas of a wide range of thinkers, including Michał Kalecki, John Maynard Keynes, Amartya Sen, Joseph Stiglitz, Paul Krugman, and Kazimierz Łaski, who all refuse to conform to the idealization of the free market, and instead stress the necessity of interaction between the state and the market, and the importance of state intervention, stimulating demand, etc. The shape of the Polish transformation, however, was inspired by the ideas of the first group, which inevitably led to unnecessary recession, shock, widespread long-term unemployment, and other such phenomena.

The false alternative

The kind of capitalism existing in Poland has shaped its society. Kowalik analyzed this society, showing the prevailing pattern of long-term unemployment, which to some extent was called into being by the elite of the new system. A system which, from the economic point of view, was to be created by way of "primitive accumulation," since it had been decided that everything had to start again from the beginning. The existing industry was treated not as national property, but as a burden. Kowalik contrasts this approach with the positive models of other countries outside Scandinavia, namely Japan and the "Asian tigers," who, after the Second World War, rejected the option of primitive accumulation and achieved considerable success.

In Poland, a false alternative was formulated: the state or the market. What was chosen was the market without the state. This was supposed to be an ideal solution, but in practice the state was used to set up the free market, whereas in properly functioning economies the state and the market operate in conjunction. Moreover, there is a growing expectation worldwide for a greater state presence in the economy,



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Prof. Tadeusz Kowalik (1926-2012), an eminent economist and activist in the democratic opposition of the 1970s, was one of the few critics of the Polish transformation model

and Poland is no exception to this. The problem of ownership links the spheres of economics and sociology, and the Polish system was based exclusively on private ownership – the only “genuine” form – which was achieved on a large scale through the re-privatization of state-owned companies. The idea of collective ownership was rejected, as were the values of the public sector. What was not fully appreciated was that ownership means power, and that large-scale ownership means great power. This not only damages democracy, but also negates the idea of the free market as a meeting place between producers and consumers which is open to everyone on equal terms.

Dramatic differences

What is particularly striking in the new Polish system is the ever-growing difference in income between the highest and lowest earners. Kowalik perceived this from the beginning and in almost all of his texts of the last twenty-five years, he wrote of the negative and dangerous aspects of such inequality. He pointed out that, in practice, the opposite of such a situation is not full egalitarianism, but one in which there is moderate inequality, significantly smaller than that in Poland.

Excessive inequalities in income are a serious problem for many reasons. They mean that the poorest part of society either does not benefit at all, or benefits to a small extent, from

the fruits of economic growth, and is discriminated against in terms of access to culture, education, and healthcare. This undermines one of the basic principles of the political institutions of liberal democracy, that all citizens have equal rights.

Inequality is also significant in the question of quality of life. If the economy is supposed to benefit society and not the other way round, then it is quality of life that is the key issue, and not the growth in GDP. Surveys have shown that people most often connect a feeling of well-being with living in a reasonably egalitarian environment. People are happier in societies – such as those in Scandinavia – where differences between incomes are relatively low.

In *Economic Systems*, Kowalik writes: “Polish capitalism is characterized by mass unemployment, a large section of society living in poverty, and large and ever-growing differentials in salaries and incomes. At the other extreme is a group of capital owners and power brokers, of diverse characters and various degrees of affluence, with ‘cosy’ or openly corrupt ties between them. Both these extremes have been created not so much by elemental market forces as by the conscious actions of those in positions of power, official or otherwise.”

Kowalik’s views on modern Poland are included in his final book, “On a Better Socio-Economic System,” to be published around the end of this year by the PAS Institute of Economics and the Polish Economic Society. ■