In the time span of a two-term U.S. presidency, Poland changed from being an authoritarian one-party state with a faltering centrally planned economy to become a relatively stable multiparty democracy with a market economy with one of the highest GDP growth rates in Europe. A central feature of these economic and political reforms is a high entry rate for new, domestically owned firms. Using detailed economic and political data, this book examines how these new firms contributed to the Polish transition. The authors test propositions about why some regions have more new firms than others and how the success of these new firms contributed to political constituencies that supported economically liberal parties. The book concludes by contrasting the Polish transition with the experiences of other transitional countries.

John E. Jackson is the M. Kent Jennings Collegiate Professor in Political Science at the University of Michigan, Ann Arbor, where he has been teaching since 1980. He is the recipient of a Guggenheim Fellowship and two J. W. Fulbright Research Fellowships and received his Ph.D. from Harvard University. He is the author of Constituencies and Leaders in Congress: Their Effects on Senate Voting Behavior (1974), coauthor of Statistical Methods for Social Scientists (1977), and editor of Institutions in American Society (1989).

Jacek Klich is Assistant Professor at the Institute of Economics and Management, Jagiellonian University. He received a Ph.D. in Political Science from Jagiellonian University and a Ph.D. in Economics from Krakow University of Economics. He is the recipient of the Alexander Hamilton Fellowship and the ROTARY International Scholarship. He is coeditor of Managing Health Services in Poland (2000) and Privatisation and Restructurisation in East-Central Europe (1993).

Krystyna Poznańska is Associate Professor at the Warsaw School of Economics. She received her Ph.D.s in Economics and Habilitation from the Warsaw School of Economics. She is the author of Research and Development Sphere of Enterprises (2001) and Source of Competitive Advantage of Enterprises (2002).
Publication of this book has been supported by the generosity of the William Davidson Institute at the University of Michigan Business School.
THE POLITICAL ECONOMY OF POLAND’S TRANSITION

New Firms and Reform Governments

JOHN E. JACKSON
University of Michigan, Ann Arbor

JACEK KLICH
Jagiellonian University

KRYSTYNA POZNAŃSKA
Warsaw School of Economics
## Contents

- **List of Tables**
- **List of Figures**  
- **Acknowledgments**
- **List of Abbreviations**

1. **Why Poland?**  
2. **The Dynamics of the Polish Political Economy, 1990–1997**  
   - **Appendix 2A: Data on Firm Dynamics and Creation**
3. **Creative Destruction and Economic Transition**  
   - **Appendix 3A: Models for Birth, Survival, and Growth Rates and Wages**
4. **The Social and Distributional Costs of Transition**
5. **Individual Attitudes and Voting**  
   - **Appendix 5A: Coding of Private Confidence and Communism Measures**  
   - **Appendix 5B: Statistical Model of Individual Vote Choices**  
   - **Appendix 5C: Candidate Policies and Individual Voting**
6. **De Novo Job Creation and Election Returns**  
   - **Appendix 6A: Estimated Election and Vote Share Models**
7. **Liberal Economic Interests and Seat Allocations**  
   - **Appendix 7A: Analysis of Votes-to-Seats Rules**
Contents

8   The Political Economy after 1997          202
9   The Political Economy of Transition: Why Poland?  230

Appendix A: Assessing Measures of New and Small Firms in Poland    253

References     265
Index        273
### Tables

1.1 Vote Divisions for Reform and Opposition Parties  
1.2 Privatization in East-Central Europe  
1.3 Job Creation and Job Destruction in Transitional Countries  
1.4 Entrepreneurs and the Self-Employed  
2.1 Firms in Privatization, 1993 and 1997  
2.2 Macroeconomic Performance, 1989–1998  
2.3 Employment Change in Existing and New Enterprises, 1990–1997  
2.4 Sales in All Existing and New Enterprises, 1990–1997  
2.5 Regional Variations in De Novo Firm Creation  
2.6 Variations in Regional Economic Performance  
2.7 Major Parties, Candidates, Votes, and Seat Shares  
2A.2 Sales Dynamics by Sector, 1990–1997  
2A.3 De Novo Firm and Job Creation in 1997 by Voivodship  
3.1 Births and Size of cohorts  
3.2 Total Employment Growth in Domestic and Foreign Cohorts  
3A.1 Domestic-Firm Birthrates  
3A.2 Foreign-Firm Birthrates  
3A.3 Models for Number of Firms in 1990  
3A.4 Domestic-Firm Survival Rates  
3A.5 Foreign-Firm Survival Rates  
3A.6 Domestic-Firm Growth Rates  
3A.7 Foreign-Firm Growth Rates  
3A.8 Changes in Manufacturing Sector Wages  
3A.9 Changes in Trade and Service Sector Wages  

© Cambridge University Press  www.cambridge.org
Tables

3A.10 Changes in Other Sector Wages 97
4.1 Regional Variations in Percent Unemployed 100
4.2 Probability of Unemployment 101
4.3 Regional Variations in Average Monthly Gross Salary 102
4.4 Real Monthly Income 104
4.5 Age, Education, Gender, and New-Firm Coefficients, with Interactions 107
4.6 Health Self-Assessments 114
4.7 Variations in Life Expectancy from Birth among Voivodships 116
4.8 Changes in Life Expectancy 118
5.1 Confidence in Private versus State Enterprises and Size of Private Sector 124
5.2 Confidence in Private versus State Firms 125
5.3 Confidence and Age, by Survey Year 128
5.4 Opinions of Communism as a Form of Government 129
5.5 Model of Opinions of Communism as a Good Form of Government 131
5.6 Confidence in Private Firms and Differences in Vote Choices 140
5.7 Voting and Retrospective Evaluations That Economy Is Worse 142
5.8 Communism as a Good Form of Government and Vote Choices 144
5A.1 Coding for Confidence Measure 148
5A.2 Estimations with Form Y of Confidence and Communism Measures 150
5B.1 Individual Vote Choice Equations 153
6.1 Additional Job Creation and Mean Changes in Vote Shares 162
6.2 Seat Allocations with Greater Job Creation 171
6A.1 Estimated Election Models 173
6A.2 Estimated Vote Share Model for UD Only in 1993 177
7.1 Allocations of Seats with d’Hondt Rule and Alternative Districts 181
7.2 Allocations of Seats with Sainte-Laguë Rule and Alternative Districts 181
7.3 Seat Allocations for Alternative Coalitions in 1993 185
7A.1 Estimated Votes-to-Seats Rules 198
7A.2 Seats, Vote Shares, and Electoral Rules 200
Tables

8.1 Percent Unemployment and GDP, 1989–2001 203
8.2 Small, Large, and New Enterprises, 1997–2001 204
8.3 Estimated Unemployment Change Models 211
8.4 Distribution of Votes, Seats, and Responses in PGSS Survey 216
8.5 Model of Voting Choices in the 2001 Election 218
8.6 Attitudes and Vote Shares, 2001 Election 218
8.7 Transition of Vote Shares for the 1997 to 2001 Elections 224
8.8 Alternative Seat Allocations, 2001 227
9.1 Annual and Cumulative Inflation 235
9.2 EBRD Indices of Price and Trade and Currency Liberalization 236
9.3 Indices of Rule of Law and Legal Institutions 240
9.4 EBRD Indices of Financial Reform 242
9.5 Indices of Government Performance, Corruption, and Capture 243
9.6 Entrepreneurial Attitudes in Four Countries 246
A.1 Firms per 1,000 Population 255
A.2 Correlations in Firms and Population among Data Measures 256
A.3 Fits for Alternative Measurement Models 258
A.4 Estimated Measurement Model 260
A.5 Estimated Models for Number of Firms per Capita 262
Figures

1.1 Real GDP  
1.2 Life Expectancy at Age Forty-five  
1.3 Satisfaction with Democracy  
3.1 Domestic-Firm Survival Rates  
3.2 Foreign-Firm Survival Rates  
3.3 Yearly Domestic-Firm Employment Growth  
3.4 Yearly Foreign-Firm Employment Growth  
3.5 Wages in New Domestic Firms  
3.6 Wages in New Foreign Firms  
3.7 Wages in State-Sector Firms  
3.8 Sales per Worker, Domestic Firms  
3.9 Sales per Worker, Foreign Firms  
3.10 Sales per Worker, State-Sector Firms  
7.1 Job Creation and Seat Allocations
Acknowledgments

We want to thank a number of organizations that supported the research and writing in this book. Preparation of the data on new-firm creation and growth was supported financially by a grant from the Charles Stewart Mott Foundation and by funds from the Office of the Vice-President for Research and the Faculty Research Fund of the Rackham School of Graduate Studies at the University of Michigan. The cooperation of the Research Centre for Economic and Statistical Studies, the Polish Central Statistical Office and specifically of Josef Chmiel, the vice-director, was critical in developing the unique longitudinal data that form the basis for the research. The Institute for Social Studies at Warsaw University was very generous in making the data from the Polish General Social Survey available. John Jackson was supported by several organizations during the completion of this project. He received research grants from the Polish–U.S. Fulbright Program in 1993 and in 2003–4 that enabled us to begin and complete the project. Over the course of the project he was a Visiting Professor at the Wallis Center for Political Economy at the University of Rochester in 1994 and 2000; a Fellow at the Center for Advanced Study in the Behavioral Sciences, Palo Alto, California, in 2000–1; and a Visiting Scholar at the William Davidson Institute at the University of Michigan in 2003–4. He also received support from the Faculty Enrichment Fund of the College of Literature, Science and the Arts at the University of Michigan. We gratefully acknowledge the support of these organizations and add the usual disclaimer that the views and conclusions in the book are the authors’ and do not reflect the positions of any of these organizations.
Abbreviations

AWS  Akcja Wyborcza Solidarność (Solidarity Electoral Action)
AWSP  Akcja Wyborcza Solidarność-Prawicy (Solidarity Electoral Action of the Right)
BBWR  Bezpartyjny Blok Wspierania Reform (Nonpartisan Bloc for Reform)
EBRD  European Bank for Reconstruction and Development
EU  European Union
GDR  German Democratic Republic
GUS  Główny Urząd Statystyczny (Central Statistical Office)
IMF  International Monetary Fund
KLD  Kongres Liberalno-Demokratyczny (Liberal-Democratic Congress)
KOR  Komitet Obrony Robotników (Worker Defense Committee)
KPN  Konfederacja Polski Niepodległej (Confederation for an Independent Poland)
LPR  Liga Polskich Rodzin (Polish Families League)
MSzP  Magyar Szocialista Párt (Hungary Socialist Party)
OECD  Organization for Economic Cooperation and Development
OPZZ  Ogólnopolskie Porozumienie Związków Zawodowych (All Polish Alliance of Trade Unions)
PC  Porozumienie Centrum (Center Alliance)
PGSS  Polskie Generalne Sondaże Społeczne (Polish General Social Surveys)
PiS  Prawo i Sprawiedliwość (Law and Justice)
PO  Platforma Obywatelska (Civic Platform)
PSL  Polskie Stronnictwo Ludowe (Polish Peasants’ Party)
PZPR  Polska Zjednoczona Partia Robotnicza (Polish United Workers Party)
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROP</td>
<td>Ruch Odbudowy Polski (Movement for the Reconstruction of Poland)</td>
</tr>
<tr>
<td>SLD</td>
<td>Sojusz Lewicy Demokratycznej (Democratic Left Alliance)</td>
</tr>
<tr>
<td>SLD/UP</td>
<td>Sojusz Lewicy Demokratycznej/Unia Pracy (Democratic Left Alliance/Labor Union)</td>
</tr>
<tr>
<td>SOE</td>
<td>state-owned enterprise</td>
</tr>
<tr>
<td>SRP</td>
<td>Samoobrona Rzeczypospolitej Polskiej (Self-Defense of the Polish Republic)</td>
</tr>
<tr>
<td>UD</td>
<td>Unia Demokratyczna (Democratic Union)</td>
</tr>
<tr>
<td>UP</td>
<td>Unia Pracy (Labor Union)</td>
</tr>
<tr>
<td>UW</td>
<td>Unia Wolności (Freedom Union)</td>
</tr>
<tr>
<td>ZChN</td>
<td>Zjednoczenie Chrześcijańsko-Narodowe (Christian National Alliance)</td>
</tr>
</tbody>
</table>