Democratisation, economic reform and human rights in Poland – conflict or consonance?

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Abstract: *This paper examines some of the conflicts underlying the apparently neutral and technical policies to bring about marketisation and democratisation in Poland. In particular, it looks at whether the underlying understanding of political activity and conceptions of human rights inherent in the political/economic reforms were consistent with Poland's historical experience and rights traditions. The paper argues that the legacy of economic reform in Poland has undermined more culturally entrenched systems of economic production and democracy and has fragmented social understandings of what rights are in such a way as to undermine the legitimacy of the political and economic transition.*

The nature of man is intricate; the objects of society are of the greatest complexity; and therefore no simple disposition or direction of power can be suitable either to man's nature or to the quality of his office.

- Edmund Burke

From its inception, capitalism has radically changed every material, social and cultural facet of the societies it has touched, and it continues to do so.

- W. D. Perdue

The rise of the economic technocrat, or technopols in John Williamson's vocabulary of political economy, has severed economic analysis from its parental disciplines of moral philosophy, politics, and history. 'Neutral' economic fixes are thus available for reformist politicians who seek to open their societies to the potential riches of the free market. In Poland, the work of the technopols – Jeffrey Sachs and Leszek Balcerowicz who held positions of political power based on their economic expertise – has arguably succeeded. Poland now has an elected parliament, an independent judiciary, and a stable market economy that, after the 1989-1992 crash, is growing at an average of 5-7% per annum.[1] In May 2004, Poland completed its transition from pillar of

the Warsaw Pact and the Soviet trading system COMECON to being a strategically and economically vital component of the expanded European Union. Jeffrey Sachs' vision of sharp economic and political reform 'to create institutions of the kind already in existence, and with merit, in Western Europe' would appear to have succeeded.[2] In addition, the collapse of the Berlin Wall and its attendant Communist Party strictures on economic, political and social life also seemed to usher in a new regime of rights and freedoms. Europe's 'anthem', the 'An die Freude' chorale from Beethoven's ninth was recast as 'An die Freiheit' (Ode to Freedom) and, for Poles a 'return to Europe', presaged by their Latin script and Roman Catholicism, was promised. As the Polish poet Czeslaw Milosz wrote of the collapse of communism in Eastern Europe: 'Moments of boastful theory lie between nettles./ Darkness descended on an infallible empire'.[3]

This article seeks to examine the underlying values and conflicts that characterised apparently technocratic political and economic reforms. In particular, it asks whether there is such a thing as a technically 'correct' set of economic reforms. In the case of Poland, it is argued that the somewhat dirigiste policy style of economic reform undermined simultaneous attempts to effect democratic reform. Further, it is argued that economic systems and systems of social interaction are necessarily intertwined. As a result, the economic reform package applied to Poland emphasised a version of 'inherent' economic and social rights that was to a large degree at odds with existing, socially-embedded conceptions of human rights, political activity and economic organisation. This ultimately served to undermine the political stability of the reform process. Consequently, it is argued that the Polish economic reform package, and its political implementation, were not simply neutral 'corrections' that could be arrived at without reference to Poland's pre-existing and long established traditions of economic and political activity. This article seeks to examine the implications of this apparent conflict in the context of changing understandings of human rights and the process of democratisation in Poland.

'Shock therapy', the economic and political reforms that were designed to create instant marketisation, sought to take advantage of the 'honeymoon period' between the demise of the old regime and the social impact of economic collapse, in order to ram through measures of political, economic and social change with 'speed and stealth'.[4] In the context of near economic collapse and hyperinflation in 1989-1990, the Balcerowicz plan sought to bring about macroeconomic stabilisation, liberalisation, privatisation, the construction of a social safety net and continued international financial assistance.[5] In particular, the stabilisation plan included the reforms with the greatest social impact:

1. Restrictive monetary policy (increasing interest rates to stem inflation by reducing aggregate demand).

2. Removal of the budget deficit (which involved eliminating subsidies for food, raw materials and energy).

3. Price liberalisation (especially for regulated prices such as fuel, energy, transport, rents and pharmaceutical).

4. Convertability of the zloty and the elimination of subsidies and trade barriers.

5. Restrictive income policy (the *popiwek* tax which limited wage inflation to 30% of the rate of price inflation – with inflation running at 585.5% in 1990, this caused considerable hardship).[6]

The reforms were designed with the advance knowledge that fundamental economic reconstruction would be 'painful'. The notion of shock therapy itself was derived from Leon Festinger's theory of cognitive dissonance, which states that more people are likely to change their attitudes and modes of behaviour if they are faced with 'radical changes in their environment which they consider irreversible, than if those changes are only gradual'.[7] The philosophical basis for the reforms was the view that society was constructed

of economically rational maximisers of scarce resources. Consequently, the reforms sought above all to create a 'stable and efficient price structure that would give economic actors appropriate signals and incentives for rational economic behaviour'.[8] Such reforms, as Rodrick observes, had a political motivation that were designed to produce a 'new, largely irreversible reality that his (Finance Minister Balcerowicz) successors dare not touch – a matter of importance when the successors are former Communists'.[9] However, economists such as Prezworski have argued that the policy style of the reforms, if not the reforms themselves, have acted against the rosy picture painted above of a new Polish freedom:

> The autocratic policy style characteristic of Washington-style reforms tends to undermine representative institutions, to personalise politics, and to generate a climate in which politics becomes reduced to fixes, to a search for redemption. Even if neo-liberal reform packages make good economic sense, they are likely to generate voodoo politics.[10]

In Przeworski's view, the way in which the reforms were enacted tended to corrode nascent democratic institutions and rights.

The 1948 Universal Declaration of Human Rights was divided in 1952 into two Covenants: The International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Cultural, Economic and Social Rights (ICESCR). Sampford, in his conception of the four dimensions of human rights, terms the former first generation or negative rights, while the latter are second generation, or positive rights.[11] These generations have been supplemented by a third generation, which includes rights to peace, development, control over resources and the right of future generations to enjoy a sustainable environment. The fourth generation or dimension of rights, he argues, includes Isaiah Berlin's problem of the contented slave 'who is free to do whatever he wants because his wants are confined to those acceptable to his master'.[12] Like Amartya Sen's conception of development, Berlin sees rights as ultimately dependent upon an individual's freedom to make genuine

choices. J. de Kort argues that the reason for a change from a single Universal Declaration to the introduction of two Covenants was that whereas civil and political rights can be seen as universal (limiting the power of the state over people's lives), cultural, social and economic rights are neither universal nor absolute. They are, he argues, embedded in society and cannot be ascribed to an individual. Further, minimum standards in second generation rights are dependent upon a certain level of economic development. Only comparatively wealthy states with social-democratic tendencies or those ruled by communist parties will care vastly for ICESR. This has important implications for the development of a rights-based democratic society. In the context of Poland, as Robert Kaplan has written:

> Modern democracy exists within a thin band of social and economic conditions, which include flexible hierarchies that allow people to move up and down the ladder. Instead of clear-cut separations between classes there are many gray shades with most people bunched in the middle. Democracy is fraud in many poor countries outside this narrow band.[13]

The principal conundrum that seems to have emerged from attempts to build a liberal democratic society through shock therapy is the very applicability of the concept of individual rights, and the political and economic system they entail, to post-communist societies. At its core, economic reform embraced an underlying concept of rights that was derived neither from Poland's richly anarchic tradition of aristocratic 'golden freedoms', nor Polish society's experience of collective rights and action through its opposition to a totalitarian regime.[14] Instead, the reformists drew their conceptions from the capitalist individualism of John Locke. The view simply stood that humans are necessarily acquisitive and inherently capitalistic and that all societies are consequently capable of choosing, creating and sustaining the free market. The basis for this and, more importantly, for the production of a responsible citizenry is the ownership of property. For Locke, as for Jeffrey Sachs and the economists William Myers and Deborah Spar, this constitutes a natural right along with participation in the market. The significant advances made by the

Solidarity movement in its collective rights-based opposition to the state were therefore undermined in 1989 by the imposition of a new conception of 'individual rights'. Solidarity had succeeded in instituting workers' self-management in which the producers collectively owned the means of production and had a voice in how production was to occur (which became the basis for Solidarity's Citizen Committees which negotiated the transfer of power in 1989). In terms of economic reform, collective ownership was seen as a barrier to trade. The system of equally collectivist social rights that gave cohesion to the self-management programme was abolished in favour of social and economic interaction based on property rights and the privatisation of industry. From its outset, then, the political and economic imperatives of shock therapy seemed at odds with the collectivist and gradualist reform trajectory set by the Solidarity movement.

The Polish economic collapse in 1989 was partly due to the demise of the old system and partly due to a reform agenda designed to control inflation by raising interest rates, reducing real wages, and stifling aggregate demand. Although the precise figures for Poland's economic performance are open to debate, the magnitude of the collapse has been compared to the Great Depression.[15] As a consequence, average unemployment stood at 13.1%, albeit as high as 30% in some of the worst affected areas, privatisation proceeded by liquidation rather than entrepreneurial restructuring, and GDP fell by 12% in 1989 alone.[16] It is thus possible to see how the rhetoric about the construction of a 'social safety net' in the Balcerowicz Plan, in a society previously predicated on the full achievement of economic rights and social welfare, caused the initial popularity of the post-communist government of Mazowiecki and Balcerowicz to plummet and significantly affected popular confidence in the regime. As Cirtautas argues, the 'withdrawal of extensive welfare provision or social rights in return for social safety nets simultaneously undercut the impact of civil and political rights'.[17] The provision of modest unemployment benefits could not replace the right to work guaranteed by the state through the subsidisation of industry.

Significantly, in the disconnect between the underlying Lockean values of small-holder capitalism espoused by the reformers and the collectivist approach preferred by the Solidarity rank and file saw what Cirtautas has termed an 'axiological void'. In this void, the new civil and political rights were meaningless as they had no grounding in social expectations or in the historical experience of opposition. As Cirtautas writes:

> Individual rights and freedoms, freedom of speech, rule of law, self-government and individual ownership are only recognised if they can be effective for the realisation of economic and social values.[18]

N. J. Rengger addresses this issue by theorizing two different models of democratic society – one focused on the parliamentary tradition of Western Europe, the other based on the Central European experience in which ideas about democracy, and civil society more broadly, have come into being outside, or in opposition to the state.[19] Rengger thus distinguishes between 'Standard Liberal Democracy' (SLD) which represents the former and 'Expansive Democracy' which represents the latter. In the SLD model, the self is viewed as being pre-political. Just as for Locke, an individual was first part of culture before becoming a member of a civil society and participating politically in that society as a member of the state, so with the SLD model, democracy emerges as a means of coping with the clash of pre-political interests. As Rengger writes, the SLD model of democracy was 'primarily a means for aggregating pre-political interests which should be limited in scope just because it is instrumental to pre-political interests and not a good in itself'.[20] While individuals may, in this scheme, be regarded as without prior political interests (such as class in a Marxist analysis), they are nonetheless economically rational and their rationality is directed toward the most appropriate allocation of scarce resources. As a consequence of this view:

> Political institutions should be designed to separate political judgements from this of individuals; political interests are inherently conflicting because they are oriented towards scarce

> resources, so politics is an allocative activity taking place under scarcity.[21]

The logic, therefore, behind the structural adjustment programme and overseas aid in Poland was the creation of the political system best able to redistribute resources in accordance with the needs of the market. The reason for the axiological void was simply that such an allocative mechanism, and the use of democratic governance for the creation of increased market opportunities, was antithetical to the experience of Expansive Democracy (ED) that more accurately described the historical experience of Central and Eastern Europe.

The ED model is one which in its earliest form (especially in Poland which has the longest history of popular antagonism between the authorities and organised social opposition) took the shape of 'protection and/or self-organisation of social life in the face of a totalitarian or authoritarian state'.[22] In contrast to the pre-political Lockean model, ED assumes a prior political engagement as it arises out of social opposition to the regime. More importantly, where the SLD model sees democratic culture arising from the need to control conflicting interests, the ED model assumes a society that is from its inception fundamentally democratic. Further, as a popular reaction, ED arises from a community and, unlike the Polish reforms, is not imposed by an elite. Ultimately, the difference between the two models lies in their purpose and structure. In ED, conflict is not inherently within the system as this occurs with the state. Instead:

> Increased democracy transforms individualistic and conflicting interests into common and non-conflicting ones … transformations reduce conflict and allow reduced use of power as a medium of political interaction … democracy is necessary to the value of self-development, autonomy and self-governance.[23]

It would seem that this conception of two wholly different traditions of democracy would explain in large part some of the more intriguing paradoxes of the Polish experience of reform. One such paradox is the view that the initial failure of reform was that while institutional reform could be effected, political and economic participation dragged owing to a social structure that was antithetical to such reforms. 'Political democracy', writes W. D. Connor, 'is ahead of the society that this democracy is to serve'.[24] Yet despite this apparent inability to adapt to the new democratic rights and freedoms on offer, other commentators have noticed that the new state very quickly absorbed the *Rechsstaat* inherited from Communist Party rule while also establishing a wide series of tribunals, ombudsmen, and spokesmen for citizens' rights. Sanford argues that the new state gave voice to an 'ingrained and even excessive' tradition of political and personal rights and liberties. Significantly, he writes that the establishment of these tribunals, ombudsmen and spokesmen were an expression of prior civil virtues: 'the institutional framework for the new democratic system was, therefore, already in place and was deeply entrenched in Polish values'.[25]

The reason that many Poles were perplexed by the reforms was that, as Sanford argues, the previous state had been politically monocentric but socially dichotomous or the type 'us' (society) versus 'them' (the authorities and their supporters). The transition was seen 'not as a movement from monocentrism to polycentrism but rather from a state of full to imperfect dichotomy in which one of the pillars vanishes'.[26] The reforms served only to further fragment the state and to remove from the Solidarity movement its important role as a mediator between society and government.

The collapse of a central pillar in the dichotomous understanding of state and social structures led to a fragmentation of the Solidarity movement and to a fragmentation in the concept of rights in Poland. In 1993, President Lech Walesa attempted to introduce a Charter of Rights and Freedoms that would formalise the relations between citizens and the state. It is striking in the way in which the concept of rights had moved from the universal and inherent social, cultural and political rights espoused by the Solidarity movement to a

much more legalistic conception of rights based not on their desirability but on whether they were 'judiciable':

> The Charter is not a programmatory or ideological declaration. It secures what the state can fulfil, that is civic rights and freedoms, political rights and also basic social rights … The Charter of Rights and Freedoms cannot entail promises without support, it cannot be a set of good wishes.[27]

Significantly the Charter did not pass through the Sejm owing to a diversity of views about what rights should be. The diversity was brought about in large part as a result of the economic reform programme, which had created substantial economic and social division. Kurczewski identifies a Polish rights triangle that also represents the triadic nature of the Polish political system[28]:

Human dignity
Freedom
Equality before the law

Labour		Family
Property		Nation
Social partnership		State
(Left)	(Centre-liberal)	(Right)

The division of views accords broadly with the economic liberalisation, de-communisation and re-Christianisation of Polish society with different groups espousing their preferred generation or version of rights based on their current social, economic and political position. In terms of the recent development of human rights, Orenstein refers to the creation of two Polands as a result of economic reform: an affluent urban middle class able to

accommodate itself to the new system and an impoverished class of ex-workers. A third class might be added to this of resurgent nationalists based mainly in the countryside and represented by the Polish Peasant Party. Ultimately, the legacy of economic reform in Poland, despite the appearance of success, has undermined more culturally entrenched systems of economic production and democracy. The effect of this in the context of human rights and development has been to fragment social understandings of what rights are and to reconceptualise them as a form of social contract with the state – 'judiciable rights' – rather than as inherent to human dignity or as desirable development goals.

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[3] Cited in A. M. Cirtautas, *The Polish Solidarity Movement*, p. 1.
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[5] J. Hunter, *From Autarky to Market*, Praeger, Wesport, 1998, p. 79.
[6] J. Hunter, *From Autarky to Market*, pp. 85-86.
[7] J. Hunter, *From Autarky to Market*, p. 77.
[8] M. A. Orenstein, *Out of The Red: Building Capitalism and Democracy in Postcommunist Europe*, University of Michigan Press, Ann Arbor, 2001, p. 34.
[9] Rodrick, 'Understanding Economic Policy Reform', p. 37.
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[15] M. A. Orenstein, *Out of the Red*, p. 36.
[16] M. A. Orenstein, *Out of the Red*, p. 36.
[17] A. M. Cirtautas, *The Polish Solidarity Movement*, p. 231.
[18] A. M. Cirtautas, *The Polish Solidarity Movement*, p. 232.
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[20] N. J. Rengger, 'Towards a Culture of Democracy', p. 62.
[21] N. J. Rengger, 'Towards a Culture of Democracy', p. 63.
[22] N. J. Rengger, 'Towards a Culture of Democracy', p. 62.
[23] N. J. Rengger, 'Towards a Culture of Democracy', p. 57.
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[27] L. Walesa, cited in J. Kurczewski, 'The Politics of Human Rights in Post Communist Poland', in I. Pogany (ed.), *Human Rights in Eastern Europe*, Edward Elgar, Aldershot, 1995, p. 116.
[28] J. Kurczewski, "The Politics of Human Rights in Post Communist Poland", p. 116.