

Systems Research Institute, Polish Academy of Sciences

Preprints

TRANSITION TO ADVANCED MARKET ECONOMIES



Abstracts

of papers prepared for the IFORS Specialized Conference

June 22-25, 1992, Warsaw, Poland

Edited by

Jan W. Owsinski

Jacek Stefanski

Andrzej Straszak

SESSION 1

TRANSITION TO FREE MARKET: DILEMMAS AND SOLUTIONS

Part 1C

THE RELEVANCE OF SOURCES-OF-GROWTH ANALYSIS OF COMPARATIVE ECONOMIC DEVELOPMENT FOR EUROPEAN ECONOMIES IN TRANSITION

Włodzimierz Okrasa

*Social Science Research Council,
New York, USA*

(1) Different growth theories emphasize different aspects of the economy. For the aim of designing reform policies toward accelerating expected economic growth of the economies in transition the sources-of-growth methodology seems to provide the best analytical underpinning.

(2) Recent development in the sources-of-growth methods are associated with needs of comparative analysis of growth, most notably of the Latin American countries. Lessons from the developing regions (the 'South'), which might be derived within this analytical framework, can be useful for the Central European countries, but under certain conditions that should be recognized previous to implementation of solutions and programs suggested by analogy.

(3) The focus on the quality of labor and its measurement is motivated not only by its increasing share in contributing to output growth, but also by its broadening role in explaining labor income distribution in the reforming countries.

TOWARDS A NEW ECONOMIC ORDER

Danuta Hübner

*Institute of Development and Strategic Studies,
Warsaw, Poland*

The paper is an effort to approach the following fundamental questions of the big change in central and eastern Europe (CEE) :

1) Can we search for a theoretical background for the transition to market system in the tradition of capitalist economies?

2) Does the West's historical path to wealth contain any simple formula that, if adopted in the CEE, would produce a similar outcome?

3) What were the ideologies of the threshold periods in the history of the world? What ideologies could make the current transition feasible?

4) How can the legitimacy of the market be produced in transforming societies?

5) What is the core drive and value of market system that could meet the test of the CEE social tradition?

6) As market turns out to be enveloped in a whole set of ideas which are not produced by the free market, how can this enveloping atmosphere be built up in the CEE?

7) What was the part played by noneconomic factors in the West's escape from poverty?

8) Is the historical dichotomy: "state-market" relevant for a new economic order in the CEE? Will it be replaced by the triad: "state-market-society"?

QUALITY, QUANTITY & PRICE CONTROLS WITH RESTRICTION ON RESOURCE AVAILABILITY

Alina Zapalska

*Marshall University,
Huntington, USA*

The major purpose of this paper is to construct a partial equilibrium model of a centrally planned economy with distortions in both quality & quantity as well as domestic prices. An analysis is based on a 2-stage game. In the first stage, the central planner maximizes both social welfare & total revenue from exports of higher quality product. Through this maximization process the planner sets the parameters of the incentive system for the firm. The firm then chooses the quantities of the product for export and for domestic consumption. It is assumed that production requires the use of a scarce resource which must be imported. It is shown that the imposition of standards on domestic quality limit of resource availability & the objective of the central planner to accumulate hard currency by exporting a product will have a negative effect on domestic welfare due to quality degradation of the domestically consumed product. The model is discussed & the same results are derived for a small and large case of domestic economy. The application of a tariff does not eliminate the quality degradation of the goods.

ON THE SEARCH FOR A PROPER APPROACH TO THE ECONOMIC TRANSITION

Witold Jakóbiak

*Institute of Political Studies,
Warsaw, Poland*

Probably in reaction to the economic philosophies which preceded them, many East-Central European economists see radical free market policies as the key to effective reform. The big bang or shock theory of economic transformation currently being implemented in Poland constitutes an essence of the above-mentioned approach. The observation of two-years period of transformation permits to put forward a thesis that big bang therapy has, to some extent, failed.

Therefore this conclusion may lead to a well-known view that the gradual adjustment approach is superior to the former. Without fear of being mistaken, one can regard this view as totally wrong.

What looks promising is urgent implementation of a pragmatic approach, taking into account the whole set of both socio-political and economic peculiarities of the country.

ECONOMIC GROWTH, PRODUCTIVITY AND TECHNICAL PROGRESS

Stawomir Szwedowski

*Institute of Economic Sciences,
Polish Academy of Sciences,
Warsaw, Poland*

Among economists two mainstream types of thinking about economic growth dominate, one that humanity is depleting resources necessary for humanity's own future existence, and other that we are polluting the natural environment to such an extent that further growth leads to impediment of life and even might make life biologically impossible. The basic drawback of these concepts is that, even if they were based on good knowledge of quantitative analytical tools and methods, they lack the ability of taking into consideration the adaptive abilities of the society. The society's adaptive ability and the development of technology in an automatic way support the economic potential for growth. Knowledge and science have become the main source of labor productivity, the capital productivity and, in consequence of the national income. In the process of transforming Polish economy it has been forgotten that science and technology not only satisfy current needs but they are also a natural source of economic growth and an instrument of fuelling the dynamism of the economy. The development of science and technology is the basis of proper reactions to challenges that face the mankind nowadays.

THE SOCIAL MARKET ECONOMY SYSTEM. ITS ORIGINS AND MODELS AT DIFFERENT DEVELOPMENT LEVELS

Tadeusz Przeworski

*UMCS University in Lublin,
Lublin, Poland*

Within origins - there can be seen, as the actual most important domestic sources, two booklets published in 1991: the one prepared under the chairmanship of the author by the Programme Council of the Christian-Democratic Labour Party and the other published by the Economic Academy in Katowice. The original Western conceptions had their departure point in Germany in 1947-48 and were developed in the 1970s by several social liberalism studies. From this last category there are analysed more vastly two sets of studies: works of prof. D.Bell in the USA and of the former French President V.Giscard d'Estaing. From the domestic experience the author draws attention on the interesting social-ideological option of the former National Workers Party.

As the main classification criterion of the SME systems is regarded the development level and not the traditional social class approach. As the sociological SME system conception background in developed countries is seen the majority of their society, represented by the modern middle class and particularly the so called new middle class (based mainly on the non-material capital of education and knowledge). An improvement of the SME system there is seen, first of all, in the process of profitability calculus extension at the enterprise level - in the direction of taking into account also the general public welfare variables within it.

The sociological background of the SME system in less developed countries has to be another society majority, starting from the economically weakest social groups. In the near future the protective state intervention function ought to prevail; it consists in broad social assistance system, defending the economically weaker majority of the global society. Gradually the parallel stimulative and developmental functions have to be developed. They ought to be represented by the mainly managerial privatisation art and the proper arbitration system among the capital and labour factors. Without setting up of such a social arbitration institution there will be a real danger of the social disintegration and the too far pushed social polarisation processes, very harmful to the national economy and the general public welfare.

**TRANSITION TO ADVANCED MARKET ECONOMY IN
POLAND: DILEMMAS, DELAYS AND SUCCESSES.
THE VIEWPOINT OF MINISTRY OF FINANCE**

Ryszard Pazura

*Ministry of Finance,
Warsaw, Poland*

IBS *Konferenz*
Wilson

42078