

Systems Research Institute, Polish Academy of Sciences

Preprints

TRANSITION TO ADVANCED MARKET ECONOMIES



Abstracts

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SESSION 8

PUBLIC SECTOR AND PUBLIC POLICY

IMPROVING PERFORMANCE OF LOCAL PUBLIC SERVICES: THE ROLE OF THE AUDIT COMMISSION

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The talk will start with examining how, in a market economy, the public sector and the private sector have traditionally improved services and profitability in quite different ways. The market discipline in the private sector has required 2.5% efficiency gains per annum in order that the private sector remain competitive and, at the same time, has forced quality improvement to make goods and services more attractive. By contrast in the public sector, the traditional method of improvement of services was for more money to be allocated with no pressures on staff to improve efficiency. This is a process which cannot survive in a market economy as eventually it would result in an impossible burden on the private sector to provide money through taxation to finance the public sector for services which are not subject to any discipline requiring improvement in efficiency or quality on an on-going basis.

To challenge this situation in 1983 the Conservative Government set up an independent body called the Audit Commission with powers to audit local public services, both for regularity and value for money. Because of its early successes the Commission had its powers extended to carry out the same work on the health service in 1989. The rest of this talk outlines the way in which the Commission has gone about its work and the sort of successes it has had.

The structure of the Commission will be described and the methodology by which it carries out value for money research and then implements this in every local district and metropolitan councils as well as all health authorities in England and Wales. The way in which topics are chosen, audits carried out and the effectiveness of this process will be examined. The talk will then go on to focus on just one or two areas of Audit Commission work and the examples taken will cover both health and local government, so that the sorts of impact that the Commission have on services to patient and local authority customers can be clearly demonstrated.

ADAPTING THE PENSION SYSTEM TO A MARKET ECONOMY

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Advanced market economies have very different pension systems. All of these systems are characterized by the following features:

- they provide some form of social security to all participants;
- they fuel economic growth in the country;
- they are the shared responsibility of employees, employers and state.

Most of these characteristics do not apply to current Eastern European pension systems. This should be changed, because then huge possibilities to further the transition to advanced market economies arise.

In this paper we sketch the author's experience and involvement with the Polish pension system and its development. We pay particular attention to the lessons to be learned from this experience.

USE AND ADVANTAGES OF NOT-FOR-PROFIT PRIVATE CORPORATIONS TO FACILITATE GOVERNMENT PROCUREMENT AND DECISIONS IN THE TECHNICAL ARENA

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Governments in established democratic states, and especially those in newly emerging democratic states, are faced with a bewildering array of problems and decisions, the majority of which involve science and technology in some way. Included are procurements of technology-based systems, domestic and international regulations of hazardous substances, laws which impact industrial production and associated scientific research, and establishment of a modern technological infrastructure. Because decisions on these matters involve large sums of money, they require public accountability to ensure complete objectivity and freedom from corruption. Typically, such decisions require in depth technical knowledge in several fields, familiarity with industry as well as government operations, and considerable practical experience in the area. Because of the explosive growth in science and technology, governments generally cannot maintain the requisite staff and must rely on the outside consultants. In the United States, not-for-profit corporations have proved to be a very effective way to provide the information needed by all levels of government to enable them to deal with technology-based problems and decisions. Such organizations could be established in the newly emerging states utilizing local personnel; these organizations, networked with related organizations in other emerging states and in the technologically advanced countries, could facilitate the transition to more advanced market economies.

TRANSPORT INFRASTRUCTURE: BALANCING GOVERNMENT AND PRIVATE-COMPANY INITIATIVES

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Mixed economies perpetually struggle to obtain an appropriate balance between government actions and the initiatives of private enterprises. In the case of transport infrastructure, the public interest is served when private companies risk their own capital - because such funding should ensure that only 'good' projects are chosen. At the same time, government has to regulate such initiatives (1) to control negative externalities such as noise pollution, and (2) to curb market power which often follows from economies of scale in such provision.

The paper discusses the general principles on which good public policy should be based, and uses several Australian cases to illustrate the problems that can arise.

PRACTICAL REALISATION OF THE CHOSEN SOCIAL GOALS IN POLAND IN 1989 - 1991 INCLUDING REGIONAL DIVERSIFICATION

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Since an initiation of economic reforms in Poland in 1990 the so called a social function of a state underwent a reduction. Theoretically, this reduction was connected with an ideological assumption but in practice it was connected rather with a condition of the state budget. The state budget is still the main source of financing social goals in Poland, specifically: education, health, culture, science, sport.

The first consequence of this situation was a considerable limitation of the budgetary expenses for social goals as a result of the widening deficit of the state budget in 1991. This fall was increased by a policy of inertia and second organisation factors which been observed in the institutions of the social sphere. Such a behavior was an effect of the experiences of these institutions in centrally planned economy.

Apart from the general fall of realisation of social goals in Poland, relatively worse situation existed in the economically weak voivodeships, where the level of unemployment was the biggest.

**REGIONAL DEVELOPMENT PROBLEMS
IN MIXED ECONOMY**

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CHANGES IN THE MANAGEMENT SYSTEM OF THE CITY OF WARSAW RELATED TO THE TRANSITION TO A MARKET ECONOMY

Stanisław Wyganowski

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Existing management model of the city of Warsaw after reform of 1990. Particular features of the model in relation to general self management systems in Poland. Drawbacks and positives, development tendencies.

Adaptation to a new economic environment, constrained resources, changes in position of governmental enterprises, new investment structure, new ownership situation as well as reprivatization and privatization processes.

SOCIAL MARKET ECONOMY ON LOCAL LEVEL

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Social market economy (SME) albeit has some common features with such economic systems as socialism, social-democracy or neoliberalism; differs from them not only by certain traits but also, above all, by a particular combination of features and by their intensity or scope. So, based on private ownership, SME regulates and adjusts by means of law and in cooperation with the employers as well as employees (the principle of joint administration), the economic regime. However, SME resigns direct and sporadic interventions into the mechanisms of free market. In other words, SME rejects the market functional intervention, and in consequence it abandons the function of the so called welfare state, following the principle of "minimal government". However, SME protects indirectly economically weaker groups of population. Being for decentralization and regionalism as for local culture, it implements the rational economic policy including allocation of funds and resources.

The above discussed rules of SME on national level are favourable for the development of communes which have in this system full right to autonomy, self-government and self-management as well as to own genuine solutions and projects to change their micro-system, in general, however, in the frame of SME. All this implicates strong participation and support of citizens for the commune administration and control as well as active attitudes to public affairs; the latter, by means, for instance, of social movement, called in Poland "activation and community development".

SOCIAL SERVICES MODEL AT THE ENTERPRISE LEVEL: SITUATION EXISTING TILL NOW AND ITS REFORM WITHIN THE PROCESS OF THE SYSTEM TRANSFORMATION

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There exists till now three models of the social services organization at the micro scale: (a) the anglosaxon, (b) the former socialist, and (c) the continental West-European. The first relied on the domination of the services centers organised at the local government level, the second - at the enterprise level, and the third - on some equilibrium between them. The former socialist model characteristic also for Poland was conditioned by two reasons: (a) a low level of the general economic development not allowing to satisfy the necessary demand for social services of the whole population; (b) by a tendency to its political control by the state, being owner of the majority of enterprises.

As a final goal of the reform ought to be seen model (c), i.e. of some equilibrium between models (a) and (b).

Its first stage, started already in 1990, consists in the process of transition to the market economy. The necessary limitation of the former overdevelopment of the enterprise model can not yet lead to its liquidation, because of the lack of other positive solution (the form of an effective privatization or under its transition into the local government model). It must be stated also, that the former effects of the enterprise model represented one of the biggest achievements of the socialist system; they were embodied in millions of children, workers and retired people, availing themselves of summer and winter rest-centers all over the country, non-existing anywhere in the Western countries. In the paper many results of research and studies will be presented, made by the Polish Free University Association during the 1980s.

The second stage of the reform would consist in some new solutions, aiming to maintain the necessary volume of the enterprise social services within the proposed social market economy system. To achieve this we are proposing to transfer some shares part of the commercialized public enterprises to the hands of the workers self-government representation. It would enable to concentrate the activity of this representation on social services with his resignation from some part of its rights to participate in the proper managerial process (right being, till now harmful to the professional management of the enterprises).

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