

1995: Brazil Begins Social Spending for the Poor

Starting in 1995, Brazil's maturing democratic government adopts a series of targeted social spending policies called conditional cash transfers (CCTs). CCTs are used to encourage school enrollment, bolster health, discourage child labor, and advance other goals. In 2003, several CCT programs are unified under the brand Bolsa Familia (family stipend), which expands until it reaches 12 million families. Along with universal safety nets written into the 1988 constitution and gradually implemented thereafter, these targeted income distribution schemes extend social protection to rural and nonunionized workers, who had long been excluded.

2002: Lula Elected President

Luiz Inacio Lula da Silva is elected to lead Brazil on October 27 in his fourth attempt at the presidency. His inauguration on January 1, 2003, deepens Brazil's new strategy to promote sustained and inclusive growth. Previously a fierce critic of market-oriented reforms, Lula grudgingly accepts most of them once elected. At the same time, he works to expand targeted income distribution schemes, universalize social safety nets, and improve health and education for the poor. Lula oversees the robust expansion of Brazil's economy but does not match his predecessors' reformist zeal. GDP exceeds \$1 trillion in 2006 for the first time ever, on its way to more than \$2 trillion by 2010. Despite these gains, structural obstacles to sustained economic growth and social inclusion abound.

2010: Rousseff Elected to Succeed Lula

Dilma Rousseff, a former energy minister and chief of staff to President Lula, is elected Brazil's first female president on October 31. Her victory is seen as a vote for continuity by Brazilians satisfied with socioeconomic gains under Lula. Before entering politics, Rousseff had been involved in a Communist guerrilla movement opposed to Brazil's military regime, and she was arrested in 1970 and subjected to torture. In the first years of her term, she is surprised by a series of corruption scandals involving several ministers from the cabinet she inherited from Lula. In sharp contrast to her former boss, she fires all of those accused of improprieties. In an attempt to avoid market-oriented reforms, she also pursues a traditional state-led approach to economic stimulus to boost slowing growth in 2011–2012. These efforts bear meager results, leading Rousseff to sell concessions for private firms to modernize and manage important infrastructure.

Poland

Grzegorz Ekiert and George Soroka

More than two decades after the collapse of Europe's Communist regimes, Poland has emerged as a model of how to successfully build democracy and a free-market economy. Today the country is a stable, smoothly functioning state with fair and competitive elections, robust representative institutions, an independent and assertive media, and a vigorous civil society. Firmly anchored within the European Union, Poland features a rapidly growing economy, an extensive welfare system, a technocratic bureaucracy, a professional political elite, and an institutionalized party system catering to a reliably divided electorate.

This political and economic success is remarkable given conditions at the outset of the transformation. Poland's extrication from communism was predicated on the abandonment of a system that had attempted, for more than four decades, to fundamentally remake state and society. The imposition of Communist rule entailed radical social and institutional upheaval, including nationalizing and centralizing the economy, partially collectivizing agriculture, and rapidly industrializing and urbanizing what before World War II had been a predominantly agrarian population. Achieving these ends required political dictatorship, the destruction of civil society, mass ideological indoctrination, and widespread political repression.

Consequently, in stark contrast to Third Wave democratizations in which market economies existed prior to the change of regime and survived the transition largely unscathed, Poland was characterized by a glaring absence of many of the economic, political, legal, and social preconditions typically deemed necessary for capitalism and democracy to flourish. Not only were the middle and entrepreneurial classes virtually nonexistent in Communist Poland, but the country also featured distorted property rights, a lack of governmental accountability, and a political culture unaccustomed to electoral competition. Moreover, Polish citizens were viewed by outside observers as being passively reliant on the state, as having expectations of cradle-to-grave welfare

provisioning and lacking in personal responsibility and initiative. Given this backdrop, the Communist past appeared to be an entrenched negative burden that would be extremely difficult to undo or overcome.

Further complicating matters, the transition from communism involved the simultaneous initiation of seemingly incompatible political and economic transformations. Such weighty changes would necessarily exact a considerable toll, causing profound uncertainty and creating fundamental challenges for political elites and wider society. An electoral backlash against these reforms could have easily derailed Poland's nascent democracy had voters judged that the burdens being placed on them were too great.

In reality, however, the complex legacies of communism were not uniformly detrimental to the establishment of a liberal political and economic order. Despite the significant negatives associated with its previous regime, postcommunist Poland inherited comprehensive state institutions run by professional bureaucracies, an egalitarian social order, an educated and skilled labor force, and a diversified industrial base—all factors that helped ease the transformation in the aftermath of 1989.

Similarly, managing concurrent economic and political transitions did not prove as daunting a task as initially feared. Thanks to the effective design and implementation of reforms and a durable elite consensus favoring democratic norms and procedures, successive governments were able to handle these changes despite often fierce challenges from the most affected segments of the population. Getting the sequencing of reforms "right" in the Polish case involved, first, rapidly increasing the state's regulatory effectiveness, reinforcing the rule of law, and putting into place institutional safeguards (for example, securing the right to free speech, supporting public debate and ensuring legislative transparency, and instituting property rights guarantees and social welfare safety nets) that would allow for subsequent reforms, such as privatization, to proceed at a more measured and less politically destabilizing pace. Therefore, once the most pressing challenges had been addressed, paying attention to the sequencing of reforms often meant prioritizing debate and consensus-building over achieving specific economic and political objectives immediately. Doing so not only allowed for a wider range of input but also guaranteed that more Poles would feel invested in the reform process.

To be sure, Poland was not a typical example of a postcommunist transformation. Even the most cursory glance at the record of

democratization and economic reforms across the postcommunist region reveals striking differences in outcomes, by and large corresponding to traditional historical and geographic divisions within this area of Europe. Such an observation suggests that deeper structural factors played a major role in determining the diverging trajectories evident across the former Soviet Bloc. In this regard, Poland's success may be seen as stemming from the country's cultural and political affinity for the West, memories of its failed democratic experiment in the interwar period, the staggering human and infrastructural losses suffered during World War II (which dramatically shifted borders and led to a far more ethnically homogenous polity), and the cumulative influences of the modernization and state building experienced throughout the twentieth century.

Poland's successful transition was also the direct result of massive external support, including that offered by Western states, multilateral institutions such as the International Monetary Fund (IMF) and the World Bank, and—most significant of all—the European Union (EU), which exerted influence by holding out the credible possibility that Poland might someday gain full membership. Engagement with external actors not only brought extensive financial aid and expertise but also introduced leverage and conditionality mechanisms tied to fulfilling foreign aid conditions ranging from ensuring basic civil rights and liberties to permitting oversight of policymaking and implementation on the local level.

Finally, although the Polish transition may at first glance appear to be an elite-centered affair resembling the power transfers that took place in Latin America or southern Europe during the 1970s and 1980s, it was in fact the outcome of a decade-long struggle whose essence was the formation, destruction, and resurrection of Solidarity, a sociopolitical movement that at its peak numbered nearly ten million members—about one-fourth of Poland's population—and was capable of bringing the entire country to a standstill. Solidarity mounted a sustained challenge to Communist Party rule by deploying a wide variety of methods to mobilize supporters and maintain high levels of confrontational activity. The Polish transition thus combined top-down elite negotiations with the indispensable bottom-up pressure provided by a grassroots political movement. As a result, postcommunist Poland inherited vocal and well-organized citizens eager to oversee and influence its new democratic institutions.

INFLECTION POINTS OF THE TRANSITION PERIOD

Poland's late-Communist-era political and economic crisis, punctuated by the rise of the Solidarity trade union in 1980 and the imposition of martial law in 1981, simmered for more than a decade before political leaders decided to seek accommodation with societal forces opposed to Communist Party rule. During this time, profound economic challenges emerged, the roots of which extended back to the excessive borrowing of the 1970s and the failure of subsequent economic reform efforts. Since the mid-1970s, the Polish economy had been beset by severe imbalances, no real growth, and an unsustainable foreign debt load. In the 1980s, the situation deteriorated even further, leading to rising inflation, massive shortages in the consumer market, and, after 1981, international sanctions against the regime. During this time, an estimated 750,000 people emigrated from Poland. The resulting crisis unleashed an inflationary spiral, with inflation increasing from 60.2 percent in 1988 to 251.1 percent in 1989 and to an all-time high of 584.7 percent in 1990. Such catastrophic economic performance produced a marked decline in state efficacy, effectively delegitimizing Communist Party elites.

Poland's transformation, once initiated, unfolded at a faster pace than either government or opposition leaders had anticipated. Officially, it commenced with the Round Table talks in early 1989 between Communist Party officials and the then-illegal Solidarity movement. These discussions took place in a highly uncertain environment, with Communist regimes in power across east-central Europe and Soviet troops still stationed in Poland. The Polish transition consequently had no precedent to guide it; strategies had to be invented along the way, making compromise a guiding principle. This sustained bargaining between old and new political elites, along with the reaffirmation of Poland's institutional and legal continuity, made the transition to democracy less threatening to forces associated with the previous regime and went a long way toward securing their cooperation and support.

As a direct result of these talks, semi-free parliamentary elections were held on June 4, 1989. Although the agreed-upon electoral rules were designed to guarantee the Communists and their allies the majority of legislative seats (thereby granting them the prerogative to form the government), the unexpectedly high level of electoral support for

the opposition and the unanticipated defection of two minor partners from the Communist camp paved the way for the formation of the first noncommunist government in east-central Europe since the 1940s. Led by longtime Solidarity activist Tadeusz Mazowiecki, the new government was sworn in on August 24, 1989.

Under Mazowiecki's tenure, the legislature began a fundamental overhaul of the political system. The resulting liberalization not only brought about guarantees of political and property rights but also introduced the institutional groundwork necessary for systemic reforms to eventually be undertaken across virtually all areas of public life. The most important of these was the comprehensive economic reform package that came to be known as the Balcerowicz Plan, named after its chief architect, Leszek Balcerowicz, then deputy prime minister and minister of finance.

The transfer of political power to the Solidarity-led opposition in 1989 brought about the formation of a political scene characterized by the emergence of a dizzying array of parties. Instability and uncertainty defined this initial stage. Post-Solidarity forces dominated the early transition, though internecine competition soon emerged among factions within the former opposition. Attesting to this, more than one hundred parties and electoral alliances competed in the first fully free parliamentary election in 1991, with twenty-nine winning legislative seats. By the end of 1993, Poland had already held five national-level elections, rotated through six prime ministers, and witnessed the political resurrection of the ex-Communist Party, which returned to power with a clear electoral mandate after early elections were called that year. Due to the initiation of its economic adjustment program, during the same period the country also experienced a sharp contraction in gross domestic product (GDP), large declines in industrial output as inefficient factories were idled, and a rapidly rising unemployment rate (at the height of the crisis some 20 percent of the work-eligible population was unemployed). The resulting economic hardship contributed significantly to a radicalization of labor demands, reflected in waves of strikes and protests across the country.

By contrast, between 1993 and 2004, Poland witnessed a rapid economic recovery and the stabilization of its political and economic situation. Whereas the introduction of democracy and a market economy were the principal challenges facing the country in the first reform stage, the EU accession process dominated the second. Politically, these years

re marked by repeated democratic turnovers in which power oscillated between post-Solidarity and postcommunist forces. A tenuous political balance between the two emerged, fostering a middle-of-the-road approach to reforms. Polish civil society, meanwhile, continued to play its vitality by engaging in large-scale protest actions challenging the social and economic positions of successive governments, encouraging transparency, and pushing political actors to seek solutions acceptable to their constituents. This stretch of time also witnessed the negotiation of EU accession conditions, which led to Poland's becoming a full EU member in 2004.

The third and final transition period, which began with the Polish entry into the EU and extends to the present, has been marked by the stabilization of the country's institutions and the consolidation of its party system. Thus far it has revealed a diminished role for the political forces inherited from the old regime, a general weakness of the ideological left, and the emergence of fierce competition between two major post-Solidarity political parties: the center-right/liberal Civic Union and the nationalist/populist Law and Justice. Economically, meanwhile, these years have proved to be a time of remarkable growth, as reflected in Poland's steadily rising GDP and living standards. Attesting to this, the global economic crisis that continues to batter Europe has so far largely bypassed the country. Signaling the maturation of the Polish electoral system, since 2004 there has been a noteworthy decline in protest activities sponsored by civil society organizations, political contestation having begun to take place primarily through institutionalized party channels. That Poland's constitutional arrangements were not threatened by the April 2010 Smolensk airplane crash, which claimed the lives of President Lech Kaczynski and dozens of other leading political and cultural luminaries, testifies to the institutional stability the state has achieved over the course of the past two decades.

LESSONS OF THE TRANSITION PERIOD

The trajectory and outcome of Poland's democratization underscore the importance of its historical and structural endowments, the country's location in Europe, and the policy choices of central political and economic actors.

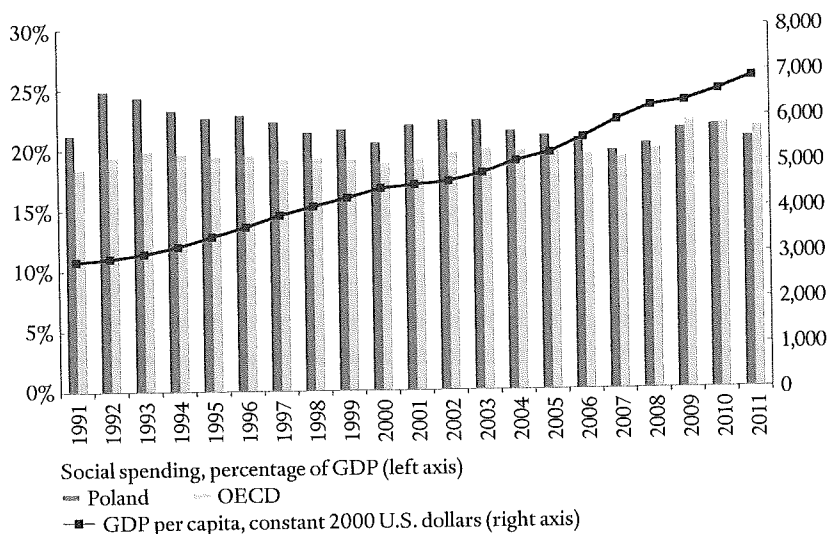
SOCIOECONOMIC EXCLUSION AND INCLUSION

Social welfare questions haunt regime transitions, and the failure of democracy is often caused by unresolved problems associated with underdevelopment, poverty, uneven resource distribution, and a lack of employment opportunities. Democracy certainly can take root in poorer countries, but extreme and systemic inequalities do not bode well for its survival. In this respect, Poland after 1989 had some important structural factors in its favor. For one, given the leveling effect of communism and its redistribution policies, income disparities were relatively minimal across the population. Likewise, the country's economic sectors were diversified, linked to the regional economy, and not overly tied to natural resource bases prone to oligopolistic exploitation. Moreover, government policies explicitly aimed to attenuate socioeconomic dislocation and the rampant poverty that might otherwise have followed from these economic transformations; this was absolutely necessary to maintain a critical mass of popular support for the overall thrust, if not always the specifics, of the reform effort. As a result, Poland entered a virtuous cycle: by promoting sound economic policies, it created a burgeoning middle class secure in its forward-looking prospects, a group essential for consolidating democracy and sustaining it over time.

Since 1989, Poland has become a comprehensive welfare state (see Figure 6). In 1991, for example, it spent 21.2 percent of its GDP on social expenditures, and this rate increased in the years that followed, reaching almost 25 percent at one point during the early transition period. In comparison, spending within the countries of the Organization for Economic Cooperation and Development (OECD) as a whole was 18.5 percent for 1991. Since then, outlays as a percentage of GDP have averaged well over 20 percent.

Attention paid to rising socioeconomic inequalities, particularly in the first few years of transition, is therefore a defining characteristic of Poland's democratization. Polish political leaders managed to promote democratization and market reforms by consistently favoring policies that would cushion the economic shocks experienced by the potential or actual losers of the transition, the most vulnerable groups being pensioners, the rural poor, and workers in restructured industries. Such policies were informed by a broad consensus on the state's responsibilities to its citizens harking back to the interwar period and the central European

FIGURE 6. INCOME AND SOCIAL SPENDING IN POLAND



Sources: OECD (social spending) and World Bank (GDP per capita).

tradition of expansive social rights and welfare guarantees. Postcommunist Poland's carefully crafted welfare policies and its ability to make and follow through on its promises (such as maintaining generous unemployment benefits, introducing a national antipoverty program, propping up those regions most affected by unemployment, indexing wages to inflation, paying pensions on time, and improving health services) were instrumental in overcoming opposition to reforms and mitigating the appeal of populism and xenophobic extremism.

Social inclusion was likewise furthered by comprehensive reforms of the pension, health-care, and education systems. Questions over how to revise these programs had been hotly debated since 1989, and consecutive governments developed competing policy proposals. The details of these reforms were eventually finalized in 1998, when a political consensus was reached about their design, merits, and necessity. The Solidarity-led government that succeeded the ex-Communists in 1997 was instrumental in vigorously moving these projects through parliament and pushing ahead with their implementation.

By 1999, Poland had embarked on a comprehensive overhaul of its pension system. The existing underfunded pay-as-you-go schema was

transformed into a three-pillar system that married state-run basic coverage with a defined contribution plan and voluntary individual retirement accounts. Concurrently, health-care reform was introduced. Responsibility for funding and delivering medical services was decentralized, allowing patients to choose their doctors and hospitals but requiring payment of mandatory premiums. The new system was intended to inject competition into the sector and, at the same time, reduce waste and mismanagement by establishing more rigorous control over health expenditures. Educational reforms were also far-ranging and comprehensive.

Poland was in a better position to pursue such policies than many other countries. Despite facing daunting economic challenges, by 1989 it was a middle-income nation, with a GDP per capita of almost \$6,200 (in purchasing power parity terms). Critically, it could also count on extensive economic aid and technical support from Western states and multilateral institutions. As a result, Poland experienced the fastest recovery of all the former Warsaw Pact countries from the deep recession that gripped the region after the collapse of communism, providing it with a solid foundation on which to build future economic growth.

ECONOMIC STRUCTURE AND POLICIES

Poland's post-1989 governments not only were forced to deal with severe fiscal imbalances and hyperinflation but also needed to privatize an inefficient, state-dominated economic system and build the institutional and legal infrastructure of a market-based economy. Realizing the dire nature of this predicament, the architects of the Polish transition opted for a shock therapy approach to economic restructuring. This was intended to promote development as well as undermine old interests and power networks in order to prevent them from sabotaging the transformation process.

In consultation with Western experts, the first post-transition government introduced the Balcerowicz Plan, a radical macroeconomic adjustment and stabilization program. This approach had the backing of the IMF and World Bank, as well as that of the United States and major European states. Time was of the essence, because by 1989 Poland's foreign debt had reached \$42.3 billion, or 64.8 percent of its GDP. What resulted was the negotiation of a comprehensive program of debt restructuring and forgiveness among Western donors. Additionally,

the IMF granted Poland a \$1 billion emergency stabilization fund, with a further \$720 million credit available if needed (neither was used), and the World Bank extended credits for modernizing trade infrastructure so that Polish goods would be more competitive on the export market. In the short term, however, these reforms—which, among other things, allowed inefficient companies to declare bankruptcy, reformed the banking laws and tied interest rates to inflation, limited wage increases among state companies to tamp down hyperinflation, allowed foreign direct investment, and protected workers in state-owned firms from blanket layoffs while guaranteeing them unemployment benefits should they be terminated—produced a sizable economic contraction: GDP declined by 11.6 percent in 1990 and a further 7.6 percent in 1991. Meanwhile, industrial output declined by 24.2 percent in 1990 and another 11.9 percent in 1991. During this time, unemployment increased from 6.1 percent in 1990 to 11.5 percent in 1991, 13.6 percent in 1992, and 16.4 percent in 1993.

As these numbers indicate, in its initial stages this strategy exacted large social costs and led to a precipitous decline in living standards. Poland's militant trade unions and professional associations responded predictably, with wave upon wave of strikes and protest. Yet successive democratically elected governments were able to withstand this political pressure and maintain the momentum of economic reforms despite frequent elections and changes of ruling coalitions. Even though specific measures were variously prioritized by successive governments, the overall objectives of political actors remained remarkably consistent during the transition. Moreover, when political conflicts arose, they generally centered on questions of institutional design and strategies of implementing new policies when the dominant neoliberal vision clashed with traditional Polish social-democratic and Christian-democratic inclinations. That these were largely differences of degree, not kind, was critical to the reform effort.

Yet, though political will among elites was crucial, it must be recalled that what was happening in Poland was not occurring in isolation—the entire former Warsaw Bloc was involved in political and economic transitions during the 1990s, making the situation in Poland seem more routine and allowing politicians to learn from the successes and failures of their regional compatriots. The political legitimacy of the postcommunist state was also reinforced by a societal consensus

regarding the ultimate goals of these transformations: a stable liberal democracy with expansive welfare protections, a market economy, and integration into a wider Europe. Because no viable “third way” was articulated between communism and capitalism, or between West and East, protesters tended to oppose the manner in which reforms were proceeding rather than the reforms' substance. In this respect, societal contention contributed to ensuring political accountability without unduly threatening the essential logic behind the reforms. Likewise, the highly partisan policymaking environment had a rather counterintuitive but ultimately beneficial stabilizing effect, since politicians were aware that any perceived carelessness in the design or implementation of reforms would be fully exploited by their competitors to gain political advantage.

External financial support for the Polish transition should also not be underestimated. Beginning with the signing of a trade agreement between Poland and what was then still the European Community (the precursor to the EU) in 1989, and followed shortly by the ratification of its European Association Agreement, Poland was from a very early point in time eligible for pre-accession European aid under three programs—Poland and Hungary: Assistance for Restructuring their Economies (PHARE), Instrument for Structural Policies for Pre-Accession (ISPA), and Special Accession Programme for Agriculture and Rural Development (SAPARD). EU membership brought even greater monetary transfers. Between 2004 and 2006 alone, Poland received 12.8 billion euros in structural and cohesion funding from the EU, more than half of the total EU funding available to the ten 2004 accession states. For 2007 through 2013, 67.3 billion euros has been earmarked for Poland, making the country the largest nonemergency aid recipient of all EU member states.

Macroeconomic stabilization, however, was only part of the challenge. The Communist legacy also meant that Poland needed to introduce far-reaching privatization programs, as by 1990 it had 8,453 medium and large state-owned enterprises on the books, and newly formed private companies were contributing only 15 percent of GDP. To this end, a government ministry was created that same year to manage the privatization process. By 2010, Poland had privatized or liquidated 5,975 medium and large firms, and all small enterprises had been transferred to local authorities and either leased out or auctioned

off. Although the privatization process was highly contentious and comparatively slow, it was conducted in an orderly and transparent fashion, allowing it to avoid many of the pitfalls that plagued other post-communist states, such as Russia.

As a consequence of these reforms, in two decades' time Poland managed to remake itself into one of the most dynamic markets in Europe. Its debt load and balance of payments are quite healthy by European standards, and its economy has been expanding at a rate above Europe's average since 1991. As a result, Polish per capita income has quadrupled since 1990 and the country has managed to attract impressive levels of foreign direct investment (FDI) in recent years (\$23.6 billion in 2007, \$12.9 billion in 2009, and \$15.1 billion in 2011), putting Poland second only to Russia in terms of recent FDI inflows among postcommunist states. (It took much-larger Russia until the mid-2000s to displace Poland from the top position.) Moreover, Poland is the only European nation that avoided lapsing into recession as a result of the latest global financial and sovereign debt crisis. Consequently, since 2007 Poland's real GDP growth has exceeded that of all the other thirty-three OECD countries, contributing to a sizable decline in the income gap between it and western European economies.

Poland has also benefited from being located near Germany and other major European markets. Membership in the EU (and eventually the Schengen zone) allowed Polish workers to freely move across much of Europe, providing an important economic safety valve for a country with a long tradition of relying on financial flows from abroad. Remittances spiked dramatically after Poland joined the EU, rising from \$2.28 billion in 2003 to \$4.73 billion in 2004 and more than \$10 billion by 2007–2008. Even in the midst of one of the worst economic crises in memory, in 2009 officially reported remittances from Poles living or working abroad made up 2 percent of Poland's GDP (the actual figure is undoubtedly much higher).

Quickly putting into place institutional safeguards that would allow subsequent implementation of more comprehensive economic reforms, expanding the power and authority of state bureaucracies charged with making fiscal and economic policy, and reinforcing the determination of central decision-makers to see these reforms through (including by leveraging mechanisms such as EU conditionality) were all critical to Poland's economic transformation. The government seized the window of opportunity that opened in the immediate

aftermath of the regime change—when societal optimism was running high and harsh economic realities had yet to set in—to enact the most politically difficult measures while allowing others to be thoroughly discussed before being put into place. This created a point of political no return and allowed the government to forestall the emergence of powerful interest groups with incentives to block further reforms.

Assuring transparency in the policymaking process, guaranteeing the accountability of public officials, and paying attention to distributional effects were all hallmarks of the Polish transition. So too were efforts to increase the capacity of the state and the power and independence of its regulatory institutions. However, it was the ability of Polish lawmakers to demonstrate that economic austerity measures would eventually raise living standards that proved most instrumental in sustaining electoral support for the reforms. It is therefore no surprise that today the majority of Poles believe that democracy is a good political system and that the economic transformation resulting from the collapse of communism in 1989 changed their lives for the better.

CIVIL SOCIETY AND MEDIA

Poles have a history of mass protest against the Communist state dating back to the 1950s. Nevertheless, it was the imposition of martial law in 1981 and Solidarity's subsequent revival and eventual disintegration between 1989 and 1991 that had the most formative impact on transitional politics. This decade-long struggle bequeathed to Poland a well-organized labor movement, a strong Catholic Church imbued with considerable political capital, and experienced opposition leaders. The composition of the postcommunist elite and their networks dates from this period (many present-day politicians were prominent in the Solidarity movement), as do seminal political cleavages and ideological divisions.

The collapse of the Communist regime in Poland opened space for the reconstitution of civil society and unleashed massive societal mobilization. The first postcommunist government aided this process by liberalizing the media, introducing extensive political freedoms, and simplifying registration procedures for parties and nongovernmental organizations (NGOs). Two parallel developments followed. First, the state-controlled associations and media outlets of the old regime underwent substantive transformations, with most managing to quickly

incorporate themselves into the new democratic system. Second, civil society and media sectors representing views that had been banned or suppressed under communism were reinvented. Postcommunist Poland thus experienced a rapid emergence of a wide spectrum of new movements, including NGOs, charities, foundations, religious-ethnic organizations, and employer-business associations. Since 1989, an average of five thousand new NGOs and five hundred foundations have been created in Poland each year.

In short, the growth of Polish associational life during the past two decades has been impressive, resulting in a dense civil society network. And despite regional differences in the distribution of organizations across Poland, the countryside is as much the site of vibrant associational activity as are large cities and industrial centers. Moreover, while growth in most types of civil society involvement in Poland has been steady, the rise in volunteerism has been nothing short of spectacular: in 2008, some 20 percent of adults declared that they had performed unpaid work during the previous year and more than 50 percent reported that they had done so in the past.

Poland also enjoys a highly politicized but thriving media market. After 1989, the print, radio, and television sectors all expanded dramatically. Increases in the number of periodicals published were particularly notable; the European Press Centre estimates that more than five thousand are currently issued in Poland. Book production has also been trending upward since the end of communism (when some 10,000 titles were released annually), reaching a record 31,500 new books in 2010. No longer fettered by ideological constraints, print and digital journalism have likewise flourished over the course of the past two decades. As a consequence, the 2010–2012 Press Freedom Index ranks Poland twenty-fourth in the world, ahead of such countries as the United Kingdom, France, and Spain.

As Poland's experience attests, a robust civil society and lively, independent media provide important underpinnings for democracy. Especially during the initial stages of the Polish transition, civil society was instrumental in representing diverse interests and identities, providing services for disadvantaged sectors of the population, and offering resources for political mobilization. Media outlets played a crucial role as well, exemplified by their ability to catalyze public debate and signal social problems.

LEGAL SYSTEM AND RULE OF LAW

The Polish legal system under communism, despite its politicization and distortions, was comprehensive and based on the continental tradition. One of the most critical decisions of Poland's transition was to reaffirm the rule of law and the validity of inherited legal arrangements while acknowledging the need for speedily removing the most antiliberal and repressive regulations.

After 1989, Poland's legal institutions underwent two main phases of alteration. The first centered on abolishing preferential treatment for the Polish United Workers' Party (PZPR), Poland's communist party at the time, and removing restrictions on political rights and civil liberties, as well as implementing private property protections and restoring an independent judiciary to Polish courtrooms.

The second was part and parcel of the Polish EU accession bid. In early 1994, Poland signed an association treaty with the EU, the first step in membership negotiations. Talks were completed by 2002, a referendum on accession was held in 2003, and Poland entered the EU on May 1, 2004. Between 2001 and 2003, far-ranging legal reforms took place. These consisted of implementing the EU's demanding accession conditions, which not only introduced profound changes to existing domestic laws and regulations but also placed certain policy domains outside the realm of political contestation. In many instances, this was accomplished by bureaucrats, without public debate or consultation. The process was not particularly democratic, but it had the virtue of being efficient and producing an outcome favorable to liberal norms.

This is not to suggest that the Polish state did not face significant challenges along the way. Prominent among these was the increase of both public and private corruption in the immediate aftermath of its transformation. However, societal opprobrium and aggressive governmental efforts to counter this trend have yielded positive results: the rate of corruption has been in a downward spiral since the 1990s. More specifically, prominent antibribery campaigns, oversight by the EU, and sensationalistic media revelations have all had an impact. Consequently, the 2011 Transition Report of the European Bank for Reconstruction and Development finds not only that Poles have become more trusting of public institutions in recent years but also that corruption perception levels among the public are falling, having nearly converged with the western European average.

Another recurrent issue that has plagued Polish society and politics is the question of transitional justice and how Communist-era officials and secret police informants are to be dealt with. Symbolically, the divide over this dates back to a speech Prime Minister Mazowiecki delivered in 1989, when he declared that his government intended to draw a "thick line" at the past so as to focus on forward-looking reforms. This statement was spun politically by more conservative and nationalistic forces as an indication that the liberal faction of Solidarity (of which Mazowiecki was a part) and its ideological heirs favored the nonpunishment of Communist crimes. Whether individuals should be held accountable for their actions under the past regime—a process that came to be known throughout the postcommunist world as *lustration*, after the ancient Roman rite of expiation—quickly became a highly polarized issue.

As a result, Poland only belatedly passed a so-called vetting law in 1997 requiring high-level public officials to admit any collaboration with the Communist-era secret police. Penalties applied only for lying, ensuring that the law was circumscribed in scope and effect. However, signaling the unresolved nature of this issue, in March 2007 a revised lustration law came into force. The changes it wrought were substantial, including greatly expanding the list of professions subject to vetting procedures. But just two months later, the Constitutional Tribunal struck down crucial provisions of the new statute, leaving the final disposition of the matter unresolved. Related and similarly protracted arguments surround the question of what should be done with Poland's secret police files, which were not immediately released to the public in the wake of 1989. The result of all this is that the past is an ongoing source of political disquietude in Poland, revisited regularly by legislators and the courts.

Poland's decision to maintain the continuity of the previous legal system while installing an independent judiciary and emphasizing respect for property rights and the rule of law facilitated the transformation by creating a sense of predictability and stability amidst the chaos of reforms. Meanwhile, extensive external monitoring (chiefly by the EU, but also involving such entities as the Council of Europe) improved adherence to international legal and electoral standards and promoted law-abiding behavior among political and economic actors. The expansion of the police force also increased the state's ability to combat illegal activities, and postcommunist Poland's integration into Europe allowed it to more effectively disrupt cross-border links

between criminal groups. In sum, Poland's enforcement of its revamped legal code, combined with extensive coverage of large-scale infractions by the media, reduced the level of corruption in the country and led to a drop in crime after an initial and predictable uptick during the early years of transition. Yet a free electoral system and judiciary have also unwittingly ensured that legal issues related to the Communist past remain significant points of political contestation.

GOVERNMENT STRUCTURE AND DIVISION OF POWER

Four factors played a pivotal role in the reform of Poland's governmental structure and the resulting division of power: return to a bicameral parliament, which Poland had in the interwar period, and the adoption of semi-presidentialism, with competencies divided between prime minister and president; decentralization and the transfer of resources and responsibility for the provision of many social services to local-level authorities; reform and expansion of core national-level bureaucracies, improving and consolidating the state's regulatory capacity and fiscal effectiveness (for example, in tax collection); and establishment of an autonomous central bank authority to oversee monetary policy.

The Round Table negotiations brought about an agreement on how to modify Poland's Communist-era constitutional arrangement, adding a directly elected president with relatively broad powers and restoring an upper chamber to the legislature. Poland thereby became a semi-presidential regime, avoiding the excessive concentration of power in the executive that frequently plagues pure presidential systems. Meanwhile, proportional representation in the lower house (*Sejm*) ensured that a multiplicity of ideological positions and societal views would be represented in the parliament, even though this arrangement initially produced striking political fragmentation and coalitional instability. The aim of these reforms was to prevent power from becoming overly concentrated in the hands of any individual or political institution. This tacit system of checks and balances has on the whole achieved its goal of fostering robust electoral contestation and offering the public a range of policy options. At the same time, such demanding political realities also explain why it took most of a decade before Poland embraced a permanent new constitution in 1997. Cognizance of the highly competitive environment in which they found themselves led politicians to pick their battles carefully and think hard about the sequencing of reforms.

This is not to suggest that consensus was unreachable. Early on, the creation of effective local self-governance structures was determined to be a political priority, and it became the first legislative initiative of the newly established upper chamber (*Senat*) of the Polish parliament. Beginning in the early 1990s, municipalities were granted considerable power and resources, including an independent revenue base, and charged with handling many of the tasks previously performed by the central state administration (such as the maintenance of infrastructure and provision of education and health services). These changes were followed by a second round of reforms in 1998, which when completed left nearly 50 percent of the Polish budget in the hands of local communities, transferred additional social responsibilities to municipal governments, and streamlined the structure and prerogatives of the state.

Only after power had significantly devolved to local administrative organs and the most essential redesign of the electoral and legislative systems had been undertaken was attention turned to reforming Warsaw's revenue-generating capabilities. This task involved a new system of taxation (personal income tax was introduced in 1992 and the value-added tax in 1993) and the design of effective collection mechanisms.

Legislation enacted in 1996 introduced additional changes in the structure and operation of the state apparatus. Among other things, it strengthened the ministries responsible for macroeconomic regulation (especially the Ministry of Finance), created a better system of managing public property, and improved the quality and efficiency of the civil service.

Building on this, the 1997 Act on the National Bank of Poland considerably extended the authority and autonomy of the central bank, enabling it to emerge as a powerful and independent actor. The bank's resulting political clout, coupled with its conservative fiscal policy, allowed Poland to maintain the stability of its currency and control inflation throughout critical periods, including during the 2008 financial crisis.

The Polish experience strongly argues that the formal codification of new constitutional arrangements is not as important as the broader democratic transitions literature suggests, provided basic freedoms and liberties are respected and laws reliably enforced. Increasing the capacity of the state was therefore a seminal component of Poland's far-ranging reforms. To this end, the Polish bureaucracy doubled between 1988 and 1995 and the state became better organized, developing more infrastructural power than its Communist predecessor

ever had. Poland's example suggests that a capable and efficient (but not necessarily small) state apparatus is indispensable as the backbone of a working democracy.

EDUCATION AND DEMOGRAPHY

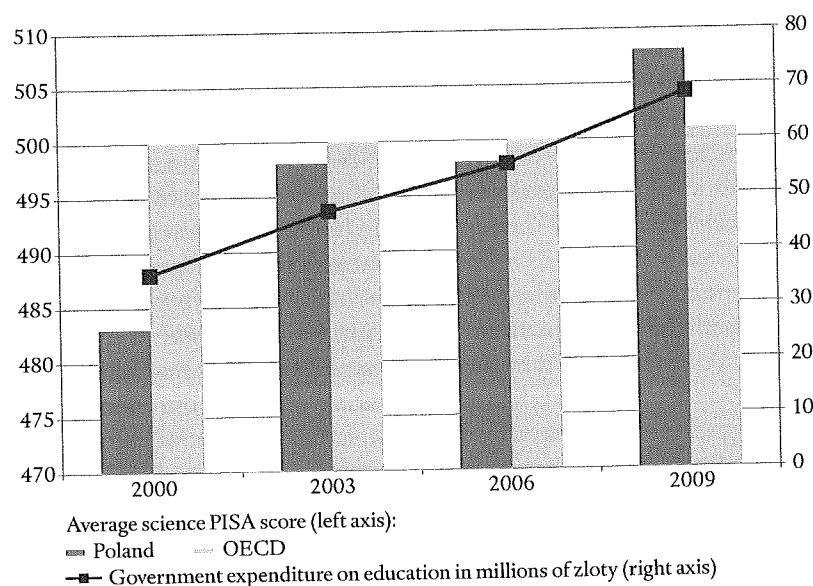
Until the 1999 reforms were initiated, Poland's education system relied on a traditional European dual track, in which students spend eight years in primary school before being channeled either into an academic track lasting four years or a vocational one lasting three or five (depending on the specialization and qualification sought). Now, after the reforms, students study for six years at the primary level and three at the lower secondary level before they are segregated into vocational training or further academic instruction, adding one more year to the comprehensive education requirement for those pursuing the vocational route.

Accompanying these measures was a shift in policy toward giving schools additional autonomy and responsibility for educational outcomes. Along with the devolution of state funding to local-level authorities, EU structural funds were made available to underwrite the reforms. Taken together, these changes produced substantial performance improvements across subject areas as measured by the OECD's Program for International Student Assessment (PISA). For example, between 2000 and 2006 Poland went from lagging the OECD average in comprehensive reading assessments to placing ninth among countries using PISA, the only transition state to achieve such a significant advance (see Figure 7 for achievements in science assessments).

Paralleling these developments, postcommunist Poland's integration into pan-European structures has also resulted in a significant expansion of opportunity for Polish students eager to study in other countries under initiatives such as the European Community Action Scheme for the Mobility of University Students (Erasmus). This has produced a subset of younger Poles who are multilingual and increasingly comfortable in thinking of themselves as citizens of a wider Europe.

After 1989, the institutional composition of the Polish educational landscape changed markedly as well. Church-run and other privately administered schools have not proved a significant factor in primary and secondary education (currently some 98 percent of Polish students attend state-run schools), but the expansion of private higher education has been astounding. Liberal policies adopted in the 1990s and 2000s

FIGURE 7. EDUCATION ACHIEVEMENT AND EXPENDITURE IN POLAND



Source: OECD. The Program for International Student Assessment (PISA) measures the literacy of fifteen-year-olds in math, science, and reading.

concerning the entry of nonstate players into the tertiary educational market produced dramatic growth in that sector, with more than three hundred private institutions of higher education established between 1991 and 2011 (during this period the number of state institutions grew more modestly, from 96 to 135).

Meanwhile, the number of students enrolled in higher education (including part-time studies) roughly quintupled between 1990 and 2009, approaching two million. According to Poland's Central Statistical Office, the percentage of full-time students in higher education programs has also steadily increased over the past decade, finally making up more than half of all enrollees in 2010 and 2011. Partly this has been the result of demographic growth in the critical nineteen- to twenty-four-year-old segment of the population during the 1990s and early 2000s, but enrollment overall has outpaced this increase, indicating that more Poles are availing themselves of tertiary credentialing. Among higher education students, 32 percent are enrolled in private institutions. However, the results of this expansion have not been all positive. Poland has

had to deal with vexing quality-control issues related to the private (and often for-profit) educational sector, and it faces a looming population contraction that will dramatically reduce the university-age population in coming decades.

Regarding other demographic measures, Polish citizens are universally literate and predominantly (60 percent) urban. Both trends are legacies of the Communist period. Poland is also similar to developed European democracies in that it features low growth and a rapidly aging society. Population statistics were essentially flat between 1990 and 2009, and are expected to become slightly negative (-0.1 percent per annum) for 2009 through 2015, according to estimates by the United Nations Educational, Scientific, and Cultural Organization. And with a birthrate of 1.40 children per woman, Polish fertility is lower than in the rest of the OECD, where the mean is 1.74. Yet while the labor force contracted somewhat between 1990 and 2009 (-0.2 percent annual growth), the population structure at present remains weighted toward the working-age fifteen- to sixty-four-year-old demographic (72 percent of Poles, versus 15 percent in the fourteen and younger range and 13 percent in the sixty-five and older range). These figures have proved to be a political asset as well as a liability throughout the transition; aging societies are less prone to radicalization, but they also face significant economic and social challenges going forward.

Poland, like much of the developed world, experienced an uptick in birthrates after World War II, with population growth falling off into the 1970s but then picking up again in the 1980s. The result was that by 1990 Poland had a roughly triangular age distribution, with a small elderly pinnacle and prominent bulges among the thirty- to thirty-nine-year-old and the five- to fourteen-year-old demographics (reflecting the postwar baby boomers and their children). This distribution guaranteed that the working-age population would remain high for at least the next two decades relative to the number of pensioners, a critical but often overlooked demographic advantage Poland brought to the transition.

What remains to be seen is how Poland deals with negative population growth over the next several decades. Statistical models suggest that the Polish population may drop from its current 38.2 million by as much as 20 percent by 2050. Meanwhile, the Germany-based Max Planck Institute is predicting that the median age of Poles will increase from 35.7 in 2004 to 51.8 by 2050, a factor that will place significant stress on the health-care and pension systems.

One final observation: Poland has historically been an emigrant nation. Between 1990 and 2000, for instance, an average of more than twenty-two thousand Poles emigrated each year, but immigration to Poland averaged just less than seven thousand. The trend toward out-migration strengthened after Poland's accession to the EU, permanent emigration (defined as leaving for at least one year) peaking in 2006, when nearly forty-seven thousand Poles went abroad, mainly for economic reasons. (European countries widened their labor markets at staggered rates, ranging from the United Kingdom, Ireland, and Sweden, which began allowing free labor migration in 2004, to Germany and Austria, which opened their borders only in 2011.) And although the current economic crisis has caused many Poles residing internationally to start returning home, according to World Bank data, 8.2 percent of Poland's population as of 2010 was still living outside its borders.

CONCLUSION

Poland's successful transition offers a number of lessons. First, it demonstrates that institutional engineering has definite limits. However, this does not mean that the design of institutions should be neglected. As the Polish case shows, simultaneously promoting the dispersion of political and economic power and the inclusion of diverse actors in policymaking processes is highly conducive to democratic consolidation. But trying to find institutional solutions for every problem is self-defeating. Attempting to secure a multitude of well-intended outcomes not only creates unnecessary complexity but may have just the opposite of the desired effect, reifying boundaries among groups and discouraging cooperation.

Second, the Polish experience argues that an efficient and accountable state is essential to democratic consolidation and the rule of law. Democracy-building in Poland was functionally tied to reform efforts that increased Warsaw's ability to fulfill its legal responsibilities and fiduciary functions.

Third, the Polish case reveals that it is not only the timing and sequencing of reforms that matters but also the alacrity of their implementation. An inherent irony of democratic transformations is that if the costs of transformation become too onerous for society to bear, the people always have the option of voting reform-minded politicians out

of office. Policymakers should realize that there is often a short honeymoon phase once reforms are begun, when expectations are still high and during which the electorate will tolerate increased levels of economic hardship, provided they have reasonable expectations that the situation will soon improve. This initial goodwill should not be squandered, as it usually lasts months rather than years. At the same time, care must be taken to not let reforms get ahead of the state's ability to effectively regulate them.

Reformers should therefore not fear embarking upon concurrent social, economic, and political changes, provided that social welfare safety nets are put into place beforehand to ensure that the most vulnerable within society do not become the transition's unintended victims. As to the ordering of reforms, Poland teaches us that ensuring the rule of law and securing property rights ought to be priorities.

Fourth, geographic proximity to democratic neighbors and historically friendly relations with the West were all critical components of the Polish transformation. As a result, Poland quickly joined such influential international bodies as the World Trade Organization (1995) and the North Atlantic Treaty Organization (1999). It also benefited from European aid and monitoring, institutional and knowledge transfers, foreign investment, and, above all, the tangible prospect of EU membership. Incentives and constraints offered by the EU and Western donors shaped the contours of domestic political competition, informed the agendas of political and economic actors, and expanded opportunities for reform. Consequently, while offering substantive economic support (for example, guaranteed stabilization funds) imposes very real short-term costs on foreign governments, the potential long-term benefits far exceed these. Poland's success is directly proportional to the aid, resources, and opportunities offered it by other states and multilateral entities.

It should be underscored that Poland's geographic, historic, and cultural relationship to Europe allowed for particularly effective carrot-and-stick offers by outside entities. Still, the essential point remains valid: comprehensive efforts to support regime change through political and economic instruments and long-term commitments by foreign governments and organizations are vital to ensuring democratic outcomes. Even so, the effectiveness of external actors will always be limited.

Finally, having previous democratic experience helps. Poland is an example of what the political scientist Samuel Huntington labeled a second-try pattern of democratization. The country experienced both democratic episodes and associated reversals, and it struggled

to build and maintain democratic institutions. Political as well as societal learning takes far longer than is commonly imagined, often involving multigenerational spans of time. Failures to sustain democracy in the past may therefore actually help consolidate it in the future. Authoritarian reversals, though regrettable, should consequently only increase efforts to support the political opposition and civil society actors. In the struggle for democracy, there are no lost causes, only frustrated short-term expectations.

In conclusion, Poland's success is the result of a unique combination of factors. On the one hand, postcommunist Poland enjoyed many structural conditions and proximate legacies conducive to democratization. On the other hand, Poland exemplifies a democratic transition based on a broad consensus regarding the ultimate goals and underlying values of the reform process. This combination set in motion a dynamic, and self-reinforcing, transformative process. Of course, Poland's transition unfolded in highly favorable global conditions, both economic and geopolitical. *Fortuna* was thus a significant part of Poland's story, and the Polish "formula" is neither foolproof nor easily replicable in other contexts.

POLAND TIMELINE

1945: End of World War II and Imposition of Communism

The leaders of the United States, the United Kingdom, and the Soviet Union outline the shape of post-World War II Poland at the Yalta and Potsdam conferences in 1945. Poland is forced to give up a considerable portion of its eastern territories to the Soviet Union, but in return it gains more economically developed territory from Germany. These changes make the population more ethnically homogeneous. Communist leaders backed by Moscow quickly gain the upper hand in the country's postwar government. The emerging Communist regime harasses and constrains opposition parties, using a referendum in 1946 and an election in 1947 to consolidate its power. The Polish United Workers' Party is formed in 1948; it goes on to govern Poland as a Communist state until 1989.

1980: Solidarity Trade Union Founded

Solidarity, the first noncommunist trade union in Poland, is founded at the Gdansk shipyard on August 31. The union's formation follows

a summer of widespread strikes and protests over rising consumer prices. Solidarity transforms into a sociopolitical movement that at its peak numbers nearly ten million members—about one-fourth of Poland's population—and that is capable of bringing the entire country to a standstill. Throughout the 1980s, it mounts a sustained challenge to Communist Party rule.

1981: Martial Law Imposed

Communist general secretary Wojciech Jaruzelski imposes martial law on December 13 in an attempt to suppress political opposition. Solidarity is banned, and its leader, Lech Walesa, is jailed along with other activists. Solidarity goes underground and continues to agitate for democratic change for the remainder of the decade.

1989: Round Table Talks Begin

In response to Poland's economic woes and social unrest, the Communist government initiates the Round Table negotiations with the still-illegal Solidarity movement in Warsaw in February. The discussions take place in a highly uncertain environment, with Communist regimes in power across east-central Europe and Soviet troops stationed in Poland. They lead to an April 6 agreement for political reforms, including the legalization of Solidarity and other independent trade unions.

1989: Parliamentary Elections Lead to Noncommunist Government

Following the Round Table talks, partially free parliamentary elections are held on June 4. The electoral rules are designed to guarantee the Communists and their allies the majority of legislative seats (and thus the prerogative to form the government). However, unexpectedly high support for the opposition and the unanticipated defection of two partners from the Communist camp pave the way for the formation of the first noncommunist government in east-central Europe since the 1940s. Longtime Solidarity activist Tadeusz Mazowiecki becomes prime minister. Under his tenure, the legislature begins a fundamental overhaul of the political system and lays the groundwork for systemic reforms across virtually all areas of public life.

1989: Balcerowicz Plan Adopted

In consultation with Western experts, Poland's first post-transition government introduces a radical macroeconomic adjustment and

stabilization program on December 31. Known as the Balcerowicz Plan, the program affects bankruptcy laws, banking laws, interest rates, wages, foreign direct investment, and workers in state-owned firms, among other things. In the short term, the plan produces a sizable economic contraction. Strikes and unrest break out, but successive governments are able to withstand these pressures and maintain the momentum of reforms. Starting in 1993, Poland witnesses a rapid economic recovery and the stabilization of its political and economic situation.

1990: Privatization Ministry Created

Poland creates the Ministry of Privatization in 1990 and introduces far-reaching privatization measures as part of its transition to a market economy. By 2010, thousands of firms are privatized, liquidated, leased, or auctioned off. Although the privatization process is highly contentious and comparatively slow, it is conducted in an orderly and transparent fashion, allowing it to avoid many of the pitfalls that plague other postcommunist states, such as Russia.

1990: Walesa Elected President

After his predecessor resigns, Lech Walesa is elected as the first president of postcommunist Poland on December 9. Walesa had been a longtime labor leader at the Gdansk shipyard, chairman of the Solidarity movement, and winner of the 1983 Nobel Peace Prize. He serves as president until his 1995 defeat by former Communist official Aleksander Kwasniewski.

1997: New Constitution Adopted

The Polish legislature adopts a permanent new constitution on April 2. Poland's demanding political realities—which stem from post-transition reforms that aimed to prevent power from being overly concentrated in the hands of any individual or institution—explain why it took most of a decade before the country embraced a permanent charter. The constitution is approved in a popular referendum on May 25.

1999: Poland Joins NATO

Poland, along with the Czech Republic and Hungary, joins the North Atlantic Treaty Organization on March 13. Poland's accession to the

alliance, ten years after the Round Table talks, helps cement its transition from a Communist state to a Western-oriented democracy.

2004: Poland Joins the European Union (EU)

Poland, along with seven other east-central European postcommunist states, joins the European Union on May 1. Between 2001 and 2004, Poland had undertaken far-ranging legal reforms as it prepared for EU accession. The EU's demanding conditions not only introduced profound changes to existing domestic laws and regulations but also placed certain policy domains outside the realm of political contestation. This process was not particularly democratic, but it had the virtue of being efficient and producing an outcome favorable to liberal norms.

2010: Plane Crash Kills Kaczynski and Senior Officials

On April 10, a plane crash kills President Lech Kaczynski and ninety-five other dignitaries traveling to Smolensk, Russia, to commemorate the seventieth anniversary of the 1940 Katyn Massacre. With President Kaczynski's death, parliamentary speaker Bronislaw Komorowski becomes acting president. Komorowski wins a full term in the election of July 4, defeating Jaroslaw Kaczynski, the late president's twin brother. That Poland's constitutional arrangements are not threatened by the crash testifies to the institutional stability the state achieved over the previous two decades.

2012: Economy Stays Robust Through Global Downturn

Poland is the only European nation that avoids lapsing into recession as a result of the global financial crisis. Between 2008 and 2011, it achieves total GDP growth of more than 15 percent. Indeed, since 2007, Poland's real GDP growth has exceeded that of the other thirty-three countries in the OECD, contributing to a sizable decline in the income gap between it and west European economies.

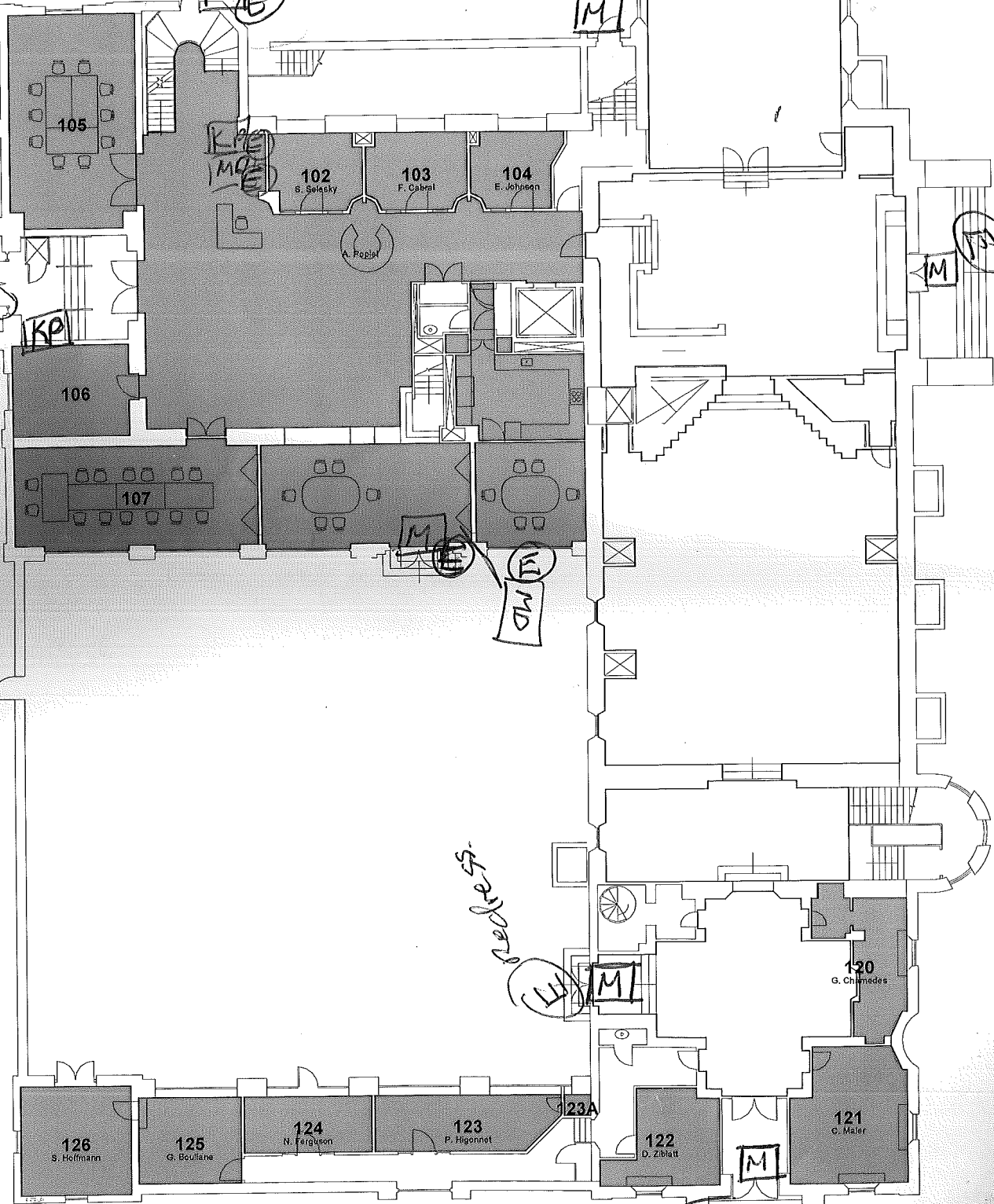
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