

STUDIES IN SOCIAL SCIENCES, PHILOSOPHY
AND HISTORY OF IDEAS 11

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Privatising Capital

The Commodification of Poland's
Welfare State



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EDITION

Introduction

It has often been said that capitalism was built in Central and Eastern Europe without capital. The argument runs that there had been no significant private accumulation of capital during Communism.¹ Some small private enterprises operated, people illegally traded on the black market and others hoarded hard currency sent by relatives from abroad. But none of this added up to any significant stock of wealth and no indigenous group of private capital holders emerged, who could drive economic growth and shape the new social and political environment.

So from where did this capital come? Two answers have commonly been provided. Firstly, is that capital flowed into the region from abroad. The post-Communist landscape was seen as a blank canvass, upon which multi-nationals applied broad brushstrokes of investment. These coloured in the spaces which the state had not filled; and new businesses, technologies and consumer goods appeared, bringing life and colour with them. Alternatively it was suggested that those who held political power during Communism, had used their privileged position to accumulate new private wealth in capitalism. The old party elite were in the best position to compete for and even steal this newly founded wealth, in the Wild West conditions of primitive accumulation.

Both of these explanations are only partly true. Foreign companies invested heavily in the post-Communist countries, but this was not a transfer of capital per se. Despite expectations, no equivalent Marshall Plan was drawn up to reconstruct these economies and raise economic conditions and living standards. Rather, private money arrived as it always does – searching for new profits to augment itself. Foreign companies engaged in privatisations, sought new sources of cheap and educated labour and opened up untapped markets for their goods. Many became rich through this course of events, including, although not exclusively, those who had been part of the Communist elite.

This foreign capital had a limited reach, bypassing areas where a profit could not be made. Large state-owned industrial and agricultural sectors collapsed, unable to compete in the new international market. The whole region underwent an unprecedented economic recession, a surge in unemployment and a rise in inequalities and poverty. In the eastern countries of the former Soviet Union – where this

1 There is obviously a huge problem in defining these systems as 'Communist', as even the ruling parties at the time did not believe that they had created Communism. However, for the purposes of convenience I shall be using this term, as it is the one most commonly used in the field.

decline was most pronounced – the governments began closing their economies to international competition, with wealth concentrated in the hands of an oligarchy tied to the political system. Even in those countries, such as Poland, that fared better and were fully integrated into the markets and institutions of the West, large social inequalities and areas of poverty formed.

Capitalism was not built in a vacuum, but out of already accumulated wealth and labour. The old had to first perish in order for the new to flourish, irrespective of whether the proceeds of this creative destruction were multi-nationals or domestic oligarchs. And there was much to destroy.

The Communist economies were marked by the shortage of consumer goods – socialism of scarcity as Perry Anderson once described them.² (Anderson, 1965) A case in point was Poland during the 1980s, when obtaining basic goods and services underscored the grind of everyday life. However, these countries also underwent a period of industrialisation and urbanisation, unprecedented in their history. This left them with such things as heavy industries, power stations, factories, farms, railways, local transport networks, cultural centres, sports facilities, nurseries, schools, universities, doctor surgeries, hospitals, centrally-heated housing, post offices, national parks, libraries, allotments, holiday homes, pensions, maternity benefits and so forth. The population may have gazed in envy over the wall to their west, but it was in the belief that what they had so far gained would be improved upon and not taken away.

Even a cursory glance at the changing social reality in Poland is enough to reveal how the transition has created a range of new opportunities for vast swathes of the population and raised the living standards of millions of people. Life has changed beyond recognition from the days when buying basic products was a logistical struggle. The new stands in stark contrast to the old – the goods are plentiful, the shops convenient, the bars and restaurants inviting.

Yet standing alongside these new beacons of modernity are reminders from the past. Most people continue to use the public health system or send their children to local state schools, almost all of which were built during Communism. Millions live on pensions derived from the Communist system; live in public housing; spend their weekends in country houses obtained whilst working for a state company; walk in the country's vast forest lands available due to the nationalisation of land after the Second World War; or travel on the state railways and local transport networks. A minority may manage to extract themselves from

2 An analysis of scarcity within the Communist economies in Central and Eastern Europe was developed by the Hungarian economist Janusz Kornai (1992).

these inherited public infrastructures. We can imagine someone who lives in a private flat within a gated community; sends their children to a private school; invests in private health insurance and pensions. For such people the services delivered by the state would seem an outdated leftover from an inferior past, supported by a tax burden they would rather not endure.

The vast majority of the Polish population lives its life in a crossover between the old and the new, the public and the private. Whatever one's personal opinion of the Communist system may be, most people still rely on the infrastructure developed during this time to deliver some of the goods and services that are most essential for their wellbeing. A central thesis of this book is that this is a form of capital, which is different from private capital as it has a non-commodified form. In the early years of the transition, private capital grew through the eradication of public capital in the productive sectors (industry, agriculture, etc.). This period of reform left many of the received social welfare structures (such as health or education) largely untouched. However, in the second period of the transition a process of commodifying these elements of public capital began, which continues to this day. This is an attempt to form new private capital out of the remaining public capital, which has profound economic, social and political repercussions.

In the first chapter we shall look at how a public sector and welfare state grew within the developed capitalist states. We will consider how this can be understood as a form of public capital both in an economic as well as a sociological context.

In chapter two, attention will be turned to public capital in Communism, which had deeper roots than in the West, as it was incorporated into an entire socio-economic system. Although large swathes of this public capital were dismantled during the early transition period in Poland, significant parts (particularly connected to social welfare) survived and new sources even created.

Chapter three considers the second phase of the transition from capitalism, when the commodification of public capital related to the welfare state began. This included a 'shock-therapy' attempt to directly privatise the pension system, as well the introduction of reforms in areas such as health and education that opened up a more gradual process of commodification ('creeping privatisation'). This is examined in the context of the country's economic performance (including in light of the global economic crisis) and at how public capital relates to things such as the taxation system and public debt. This chapter also takes into account Poland's entry into the European Union, which has both opened up public services to new commodification whilst also providing new sources of public capital.

In chapter four, we shall scrutinise how public capital relates to social structures and interests. This includes how large social groups are reliant upon and use public capital, either as employees, users of services or recipients of benefits. Public capital ultimately exists as a social relation, which is distinct from that underlying private capital.

The next three chapters provide a detailed analysis of three of the main areas of public capital: health, education and pensions. All three are looked at in their historical perspective, at their preservation after the fall of Communism, the subsequent attempts to commodify them and the social countermovements that stand in the way of this process of commodification.

The final chapter outlines how public capital affects consciousness and politics in Poland. Large sections of society retain interests in at least parts of public capital. As we shall see this has left a society that is generally supportive of such things as universal public services and benefits, although there are large differences in opinion between social groups. Despite the social support for the welfare state, governments of different political persuasions have tended to push towards their commodification. This chapter considers how liberalism has evolved during the transition from attempting large-scale programmes of privatisation towards a policy of gradual privatisation and commodification by stealth.

This book was inspired in two ways. Firstly, is in response to having lived in Poland for the majority of my adult life and experiencing the effects of the transition from Communism. Many features of the Communist past have long since disappeared and been replaced; however, others have been stubbornly resistant and continue to be an integral part of social life. Many (although not all) of these are analogous to those found in a western European welfare state. For me they represented a normal and essential part of any functioning society. I was educated for free in state schools and universities, my parents worked in the public sector, I was born and treated in a public health care system and I travelled by public transport. In Poland I could observe how many regarded these public services as a Communist hangover and something that should be abolished. Similar ideas are of course present in western European countries, but the post-Communist context is different and it was something I strove to understand. I have a particular sociological vantage point, formed from within the melange of existing private and public capital in Poland. I work for a private university that provides me with some private health insurance. At the same time, my daughter attends a local state school, I would be dependent upon public health care if I needed treatment in a hospital, I travel by public transport, pay into a public pension system, etc.

The second motivation was a more theoretical one. I was interested in the concept of capital and in particular how it was being used in the social sciences.

I am somewhat sceptical of the fashion in sociology to apply the label of capital to almost any social phenomena. Nevertheless, I drew inspiration from the work of the French sociologist Pierre Bourdieu and his understanding of how some social fields operate outside of the exchange of economic capital. However, when applying this to the post-Communist reality, and particularly the welfare state, a reworking of his concept of capital was needed. As capital is ultimately a social relation, so a set of social relations and interests lie behind public capital that connect the economy and society in a different way to private capital. It is in this framework that the welfare state shall be analysed in this book.