

The Karol Adamiecki University of Economics
in Katowice

Volume 2

2005

Journal of

**Economics &
Management**

Maciej Miszewski

**ECONOMIC TRANSFORMATION
AS AN ECONOMICAL CATEGORY**

1. The Definition of an Economic Transformation

The changes of the contemporary economies are very distinct, and this often resonates in the fact, that the terms describing them first appear in the journalistic papers for medial purposes. In that way their meaning and scope are adopted for the common usages. As a result the authors of the scientific papers are unable to use the traditional, methodologically accepted procedures for the creation of the new terms, which have the features of theoretical category. An economic transformation is a typical example of such a term. It is not possible to define it in respect to the previously known theories. However, it is unfavorable to accept the journalistic meaning of this term. The clarification of a definition describing the economic transition will be simpler if one distinguishes two separate actions in that process. The first one should mark the scope, and second one should consider the possible essences of that term.

The considerations regarding the scope of the economic transformation category can be referred to the postulate of M. Nasiłowski (1995). According to that author the term “transformation of the economic system” means the conversion of the centrally planned economy to the free market economy, which is associated with the changes of a political system and creation of the market regulations for all kinds of economic subjects, like the enterprises, budget units and home budgets [3, 1995].

The definition mentioned above enables to distinguish three terms. The systemic transformation, which is a broad term, and its two components: the political transformation (the change of political system) and the economic transformation (the creation of free market regulation for the functioning of different, economic subjects). It is worth emphasizing that the political transformation should also be considered widely, since it refers not only to the introduction of a political democracy or accompanying liberty, like the freedom of speech, bending or trade unions’ formation, but also the changes, which occur in the sphere of human behaviour and attitude. The law regulations, which guarantee the civil rights, are necessary for the political transformation. However, the substantial progress in the transformation depends on the ability of the society to correct its attitudes, habits and impulses – factors reflecting the utilisation of these norms by the society [1, 2001].

The classification of the systemic transformation, including the political and economic transformation, is based on the dichotomy. It allows to mark the scope of the last term as the overall activity directed on the creation of market conditions for the functioning of the economic subjects, which are beyond the

“public awareness” and thus beyond the humans’ behavioral patterns. One should keep in mind that the differentiation of the political and economic transformations is always conventional, since approximately all human behaviors can be interpreted regarded to their sociological, as well as economical aspects.

2. The Category of the Economic Transformation As a Part of the Macroeconomics

The discussion on the meaning of the economic transformation category should be related to the methodological status of that category. From this point of view, it is characterised by a specific dualism, which allows twofold interpretation of its essence, and thus also enables the binding of it with different meanings in each particular situation. Therefore, this category can be analyzed as a part of the economic theory (macroeconomics or more precisely the theory of economic systems). Simultaneously it can be considered as a category of economic policy as a scientific discipline.

First, the term of the economic transformation refers to the new developmental processes, not related to the evolution of the former system, which are in general initiated by the formal change of the system. This is the consequence of the assumption that besides the common features, there are also some predictions of the changes in the processes appearing in the different, post communistic economies. The exploration and systematization of these rules facilitates the creation of the theory of economic transformation, which it is possible only *ex post*. However, it is not possible to indicate precisely the time horizons for such analysis. The experience, gained from the observation lasting fifteen years, makes it possible to build the overview of these changes, which is objective and organized. The approach described above basically excludes the assessment of the studied processes. One should assume as a rule those relations or relationships, which are repetitive, and which occurrence can be explained by the causation-consecutive analysis. The theory of transformation, which is created that way, has mainly the cognitive value. Its practical implication is limited only to two situations:

- First, when the rate of changes in a particular country is distinctly retarded compared to the other countries during the transformation (prognostic value),
- Second, when some effects or symptoms of the transformation may be found pathological, and simultaneously they are present in most of the countries

during the transformation as a result of the same direct reasons (possibility to recognize and delete the pathology or natural weaknesses of the newly created economic system).

3. The Economic Transformation As a Category Of the Economic Policy

When one considers the economic transformation as a category of the economic policy, then the postulate-based approach is adequate. In such a situation the analysis is not dedicated to the economic transformation, which can be observed, but rather to the economic transformation, which is desired by one, who considers the criteria of the economic development or political and economic aims. Therefore, the estimation of value is appropriate, because the appearing processes may be compared to the propositions of a given economic policy program.

This influences the meaning of the discussed category. The theoretical-economic approach indicates mainly the components of the processes in the economic transformation, like: the formation of institutional infrastructure for market mechanisms, privatization, stabilization and deregulation of economy, support of the branch and microeconomic restructuring, and demonopolization and deconcentration of the economic structure, whereas in the political-economic approach these problems are supplemented by some theoretical divagations crucial for the formation of a consolidated program of the political transformation. One can enumerate such examples like: the aims of transformation, the final economic model resulting from that transformation, the instruments used in the political transformation and the criteria for their selection, and finally the intra or extra economic (socio-political) conditions of the transformation process. Last but not least problem, which determines the solution of other problems, is the role of the state in the functioning of economy during the transformation as well as the role of the state as a subject, which performs the policies of transformations.

A described overview of the methodological status, scope and possible meanings of the economic transformation as a category, explains such a variety of definitions used in a relevant literature. It determines also the immanent inability to form a definition based upon the discussion of numerous authors. The proposed definitions unintentionally use only one of the two possible approaches

or very often electively combine both approaches which has a poor result for logical integrity and utility of a given formula.

The attempt to create such definition, undertaken in that paper, does not pretend to be universal. The idea to combine both approaches was abandoned a priori. The utilitarian aspects influenced the decision to base the definition on the given political and economical foundations.

That results in the necessity to specify the final model, which is related to the transformation processes and which is suitable in the assessment of actual progression of these processes. One should keep in mind that the creation of the detailed model is futile or even impossible for many reasons. Therefore, the limitation to the hypothesis, that the final model should be based on the features common to all matured and effective free markets, is justified. The adroit functioning of allocation of economic resources, as a basic mechanism of high effectiveness in the economy, is one of these features.

Thus the main course of the economic transformation is rather indicated by the actions directed on the improvement in the functioning of these mechanisms. The essential role belongs to the state, which creates the conditions for that functioning. One can point out at least four such conditions [2, 2004].

4. The Conditions for Functioning the Mechanism of Allocation of Economic Resources

First, the parts involved in the economic processes in majority should be oriented on making their profits maximal. That should not be related only to the represented kind of property, but also to the common budget restrictions. The specific character of the housekeeping and the private firms causes that these conditions are naturally fulfilled by them. The public sector is forced to fulfill these conditions if the budget constraints are similarly ridged, as in case of a private sector, and when the other than market regulations are constantly eliminated.

Second, the prices as a source of market information, should not be disturbed by monopolies of parts capable to create them. Therefore, the transformation should involve the complete deregulation and consequent actions against monopoly in the economy, which could be used for augmentation of the profits.

Third, the effective functioning of the allocation regulations requires the efficient and elastic adaptation reactions of companies. There is a little chance that the organizational solutions, which make possible such reactions independ-

ently from the size of the firm, will occur soon in the economies during transformation. However, the efficient and elastic adaptation to the changes on the market predominantly characterizes the small firms. All mechanisms, which facilitate creation and development of the small firms, are important and desired in the economic transformation.

After all, the market mechanism, which essence is based on the allocation of the funds from places of an ineffective utilization to the places where they can be used more effectively at a given time, assume the free flow of these resources. Thus it is necessary to eliminate not only the formal and law barriers of allocation, but also the formation and improvement of an infrastructure of market processes, therein the institutions and law norms, which make possible or easier to allocate the resources.

The conditions discussed in that paper mark the meaning of the economic transformation process, understood as a component of the economic policy of a state. One should also define the relations between that component and the overall economic policy during the transformation. In other words, one should answer the question what, besides the transformation is involved in the economic policy of the state. This is adequate to quote the differentiation proposed by B. Winiarskiego, who indicates that the economic policy "should undertake some particular functions related to the tasks, which are not present in the stable, capitalistic economy" [4, 2004]. However, are those specific functions exclusively related to the economic transformation? There should be also a place for reindustrialization embracing the gradual liquidation of the decadent industries and the active policy for the selection of direct foreign investments.

The perspective of potential autonomy of some processes in the economic transformation is a separate problem, which is associated with the relation between transformation policies and economic policies of the country. Actually one can notice only some circumstances of this phenomenon rather than its manifestations. The pro-market changes gradually result in the increase of the beneficiaries. It should be emphasized that the political support of the transformation by the small and medium sized entrepreneurs will increase. The evolution of the programs, represented by some left side parties, gives a proof of that expectation. Thus it is possible that the stimulation of the transformation policies will not originate from the political elites, but rather from the numerous electors. That alternation can be interpreted as a specific creation of the autonomy of that process, because the country would play a role limited only to the accomplishment of "social order".

Another prerequisite of that autonomy is the economic policy created by the leadership of the European Union. This is not obvious that this policy must

be necessarily convergent with the transformation policies or that this convergence will be total (e.g. there are doubts regard the fiscal politics). However, it is convincing that the solutions in the area of economic policy worked out in the European Union will have the post transformational effect during the first years after the accession.

Bibliography

- [1] M. Miszewski: Transformacja gospodrcza Polski. WSEiA, Bytom 2001.
- [2] M. Miszewski: Kategoria transformacji gospodarczej a obecny stan przemiany polskiej gospodarki. W: Zmiany instytucjonalne w polskiej gospodarce rynkowej. Red. A. Noga. PTE, Warszawa 2004.
- [3] M. Nasiłowski: Transformacja systemowa w Polsce. Key Text, Warszawa 1995.
- [4] Polityka gospodarcza. Red. B. Winiarski. Warszawa 2004.