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PRIVATE ECONOMY IN THE WARSAW REGION.  
AGAINST THE BACKGROUND OF DEVELOPMENT OF PRIVATE  
ECONOMY IN POLAND\*

PRIVATE SECTOR OF POLISH ECONOMY IN THE POST-WAR PERIOD:  
CONDITIONS OF ITS ACTIVITY AND ITS DEVELOPMENT

The role played by the private sector is in Poland much more important than in other countries of Eastern Europe, excepting Yugoslavia. This fact is mainly due to the share of private farming in Polish agriculture (private farms account for some 75% of all the agricultural land, while their contribution to agricultural production is even bigger). Private enterprise sector outside agriculture is by no means as significant, though recently it has demonstrated high development dynamics.

It should be emphasized that in spite of domination of the private land ownership in farming, Polish agriculture does not function in the same way as it does in the capitalist countries. This is first of all due to the fact that private farming here finds itself surrounded by the environment dominated by socialized ownership (i.e. state and cooperative). The state used to be (and at this date still largely is) the only supplier of production means and the only purchaser of a majority of agricultural produce. Solely the agricultural products meant for direct consumption, such as fruits, vegetables or flowers, were being sold in the open market. Because of objective reasons (transportation costs) this form of selling (usually taking place literally in the marketplace) could mainly be taken advantage of by the farmers living close to bigger towns, which constitute large demand centres. The second important aspect of the situation of Polish private farming is that it has been subject — excepting a few passing policy turnabouts — to strong exploitation by the state, carried out by means of taxes, prices and obligations in kind, and by the corrupted bureaucracy. Third, there had

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\* The paper has been written in 1989. In 1990 economic conditions in Poland have changed. General size and spatial distribution of the private business remain, however, unchanged.

existed definite limitations on farm development, set by the state, such as the upper limit on farm acreage (50 and 100 hectares, depending upon the region in the country), forbidding of selling of new farm equipment to private farmers and setting of other hindrances as to the accessibility that farmers had to production means. Recently, the formal constraints on production means supply to farmers have been removed.

All these causes contributed to the fact that Polish agriculture has not been governed by the mechanisms typical of agriculture in highly developed countries, that is — such mechanisms as competition, constant matching of supply, demand and prices, concentration of land, liquidation of less efficient farms as well as development of the most efficient ones. Consequently, progress in this sector of economy was made difficult and an improvement of structure, dominated by small and very small farms (the average acreage being at some 5 hectares) was not taking place.

These farmers have first of all been in the best position whose farms have been located near to large towns. Possibility of selling their produce to free market, that is, at much more advantageous prices, allowed them to attain significant incomes, and thereafter to develop and modernize their farms. It can therefore be said that economic functioning of this social group started to have certain features of capitalist agriculture.

Private ownership of production means outside agriculture was almost entirely liquidated at the end of the 1940s. Only small crafts shops survived through this period, although their activity was subject to various limitations, for instance of administrative and functional nature.

In the decades to follow the state policy with respect to the private sector has been undergoing frequent turns: from persecution to tolerance. These changes were reflected through shifts in tax schemes and in the manners of interpretation of existing regulations.

Certain symptoms of situation improvement appeared during the 1970s. The degree of exploitation of private farming was curbed then, and, in particular tax policies were introduced meant for stimulating the production increase and selling of this produce to the state. Changes which occurred then, though, were not deep enough. During the same period there was also a slight improvement in the conditions of functions of private sector outside agriculture. This fact was expressed by a certain growth of this sector in terms of employment and production volume. At the end of the 1970s a very limited opening was made for foreign capital investing in establishment of new firms in Poland. In

spite of the growth observed, the non-agricultural private sector still played a very limited role in the whole economy.

Significant changes occurred at the beginning of the 1980s and are still underway<sup>1</sup>. These changes consist, generally speaking in the decrease of the employment share of the socialized sector in the whole economy, and in the increase of private sector, with the latter taking place mainly due to dynamic development of the non-agricultural private sector. This sector has become a visible complement and a competitor for the socialized sector. (The competition, unfortunately, means almost exclusively the fight for employees and for the supply sources, and not for customers). The growth of this sector is to a large extent due to economic causes: incomes and salaries are much higher here than salaries in the socialized sector. Certain role is also played by the psycho-social aspects: the wish of working for one's own account, the need of independence and so on.

It should be emphasized that development of private sector could take place owing to a more liberal policy of the authorities (not always resulting from such a conscious intention). With regard to many aspects private enterprises found themselves in a better situation than the socialized ones. The private enterprises have a much greater freedom in defining their internal organization of work, wage levels; they do usually not have employee self-governing bodies nor trade units, etc. Most of the private sector produce the commodities or provide services which are not supplied by the state. All this causes that private enterprises are much more flexible and effective in the fight for incomes, employees etc. Possibilities of development of private sector have increased yet more in 1989.

The non-agricultural private sector in Poland is composed of two parts: the home sector (enterprises whose owners are Polish citizens), and the foreign sector. From the point of view of employment the home sector constitutes some 90% of the overall non-agricultural private sector. In 1987 the home sector employed 1146.9 thousand persons, while foreign sector employed 68.4 thousand persons. The home sector is composed of small and very small plants and crafts workshops. The average number of employed per one business is about 2, and half of

<sup>1</sup> These questions are commented in more detail in other publications, see e.g. R. Szul, A. Mync, W. Lasocki, M. Grochowski, „Sytuacja społeczno-gospodarcza Polski w okresie kryzysu i reformy — ujęcie regionalne” (Socio-economic situation of Poland in the period of crisis and reform — the regional approach, in Polish), *Przegląd Geograficzny*, No. 4, 1986; R. Szul, A. Mync, M. Grochowski. “Regions in the Period of Crisis and Introduction of the Economic Reform”, *Miscellanea Geographica*, University of Warsaw, Warszawa 1986.

Table 1  
The share of private sector in the Polish economy

The share in the national income produced %	1950	1960	1970	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
a) in current prices		27.2	19.0	17.2	17.6	17.5	30.4	20.0	19.6	18.8	18.2	18.2	17.2
b) in prices of 1982						15.7	19.1	20.1	20.4	20.2	19.8		
c) in prices of 1984											18.7	19.0	17.8
The share in employment, in %	52.6	42.0	32.0	26.2	26.3	26.4	26.9	28.3	28.3	28.3	28.5	28.3	28.5

Sources: *Rocznik Statystyczny GUS* (Statistical Yearbook), various editions.

Table 2  
The growth of non-agricultural private sector in the years 1970—1987

Non-agricultural private sector	1986	1986	1981	1982	1983	1984	1970	1980	1981
<b>Totality</b>									
Number of employees, including owners, in thousand	422.0	621.9	667.2	729.5	816.8	898.1	957.5	1038.5	1146.9
% share of employment outside agriculture	4.1	4.85	5.3	5.85	6.5	7.0	7.4	7.9	8.4
Average annual growth of employment (%)		+6.6	+7.3	+9.0	+12.0	+10.0	+6.6	+8.5	+10.4
Foreign enterprises									
Employment (in thousand)			3.5	12.5	29.5	42.7	54.3	61.6	68.4
% share in non-agricultural employment in %			0.03	0.1	0.2	0.3	0.4	0.5	0.5
Average annual growth of employment in %				+250.8	+141.7	+44.8	+27.2	+13.4	+11.0
Socialized economy									
Average annual employment growth in %		0.0	-2.1	-2.6	+0.3	+0.7	+1.0	+0.6	0.0

Source: The author's calculations on the basis of Statistical Yearbooks (*Rocznik Statystyczny GUS*).

those working in them are their owners. Entrepreneurs functioning in this sector could be called „capitalist without the capital”. That is why they usually function in less capital intensive domains, such as service, retail trade, gastronomy, production of clothes, toys and other simple and small commodities.

The foreign sector is composed of much greater enterprises (the average number of employees is at some 100 persons). These enterprises have at their disposal a much greater capital and function in various branches of economy, and in particular in the industries producing consumption goods (there is especially high share of the foreign sector in cosmetics).

Besides the home and foreign sectors there starts to appear the mixed-capital sector, based upon the so called joint ventures.

More detailed figures concerning the private sector and its role in Polish economy, as well as spatial distribution over the country, are given in Tables 1 and 2.

The present paper concerns only legal and formally proper activities. Parallely to these activities there exists a domain of activities which are difficult to describe and analyse, for they are illegal, or, being legal, are not statistically registered.

#### NON-AGRICULTURAL PRIVATE SECTOR IN THE REGION OF WARSAW: SPATIAL DISTRIBUTION AND CAUSES FOR LOCATION

When analysing the share of the whole private sector in employment one can, for instance, state, that Warsaw voivodship belongs to these areas where this sector is least developed. Such global information should, however, be treated very cautiously, since the category of „private sector” is, as shown above, very inhomogenous, insofar as it encompasses agriculture, both traditional and modern, the latter having definite features of capitalist activities, and the non-agricultural businesses. Magnitude of the private sector in a voivodship depends, therefore, primarily upon employment in agriculture. That is why in urbanized and industrial regions the general indicator of employment in private sector is relatively low.

It is in quite a different manner that the „modern” private sector is distributed in space (this part of the sector including modern agriculture and the non-agricultural private sector). There is lack of reliable data concerning agriculture (distinction of the modern and traditional segments of agriculture), and therefore it is impossible to study the whole “modern” private sector, so that only the non-agricultural seg-

ment can be analysed<sup>2</sup>. The significance of this segment is presented in figures 1 and 2. It can there be clearly seen that the non-agricultural private economy is most developed in Warsaw voivodship and in

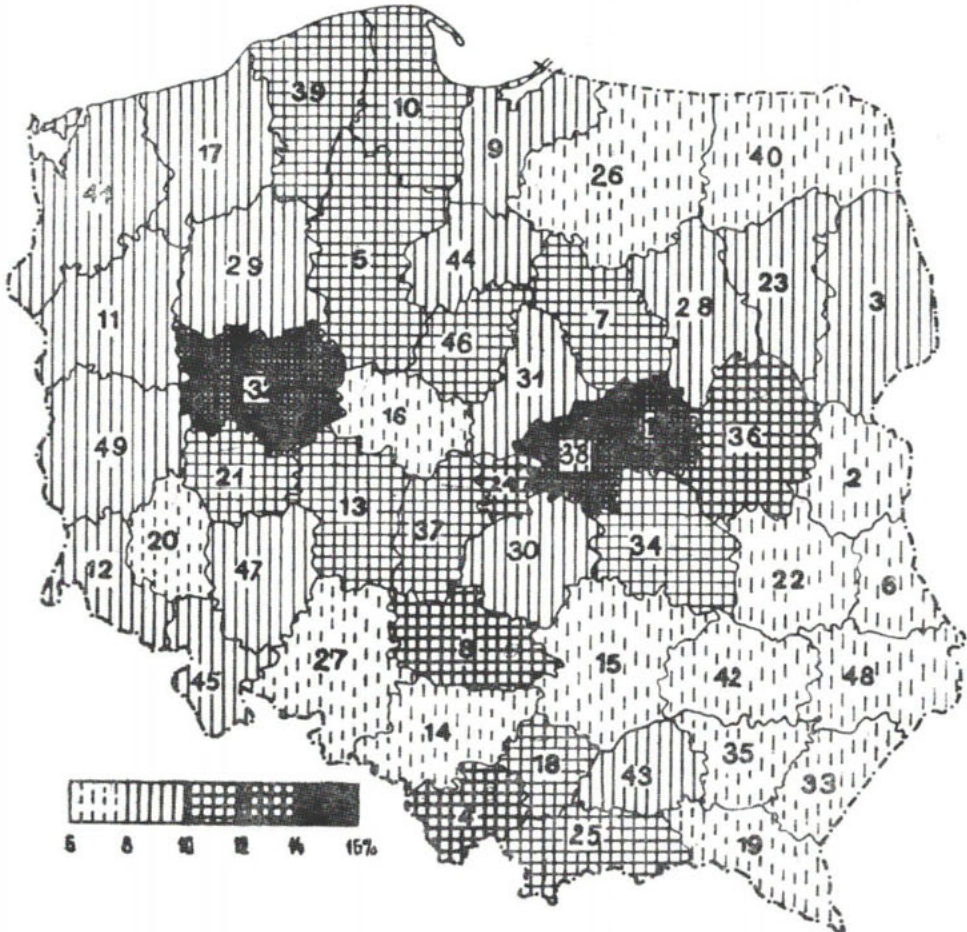


Fig. 1. Non-agricultural private sector. Its share in the non-agricultural employment in 1988, % List of voivodships: 1. Warszawa, 2. Białą Podlaska, 3. Białystok, 4. Bielsko-Biała, 5. Bydgoszcz, 6. Chełm, 7. Ciechanów, 8. Częstochowa, 9. Elbląg, 10. Gdańsk, 11. Gorzów, 12. Jelenia Góra, 13. Kalisz, 14. Katowice, 15. Kielce, 16. Konin, 17. Koszalin, 18. Kraków, 19. Krosno, 20. Legnica, 21. Leszno, 22. Lublin, 23. Łomża, 24. Łódź, 25. Nowy Sącz, 26. Olsztyn, 27. Opole, 28. Ostrołęka, 29. Piła, 30. Piotrków-Tryb., 31. Płock, 32. Poznań, 33. Przemyśl, 34. Radom, 35. Rzeszów, 36. Siedlce, 37. Sieradz, 38. Skierniewice, 39. Słupsk, 40. Suwałki, 41. Szczecin, 42. Tarnobrzeg, 43. Tarnów, 44. Toruń, 45. Wałbrzych, 46. Włocławek, 47. Wrocław, 48. Zamość, 49. Zielona Góra.

<sup>2</sup> See E. Kirejczyk, (ed.), *Pozarolnicza gospodarka nieuspoteczniiona* (Non-agricultural non-socialized economy), Vol. 9. Instytut Gospodarki Przestrzennej, WGiSR UW, Warszawa, 1988.





regions traditions of private entrepreneurship, a high number of young people with university education (who are most often undertaking this sort of activity), and a facility of contacts with governmental and trade institutions (home and foreign).

Spatial distribution of the foreign sector is similar to that of the home sector, there is, namely, a concentration around Warsaw and Poznań. It seems that this fact results primarily from the possibility of having contacts with central administration and trade institutions, existence of technical infrastructure, and generally from the so-called agglomeration economies. Because of their features and technical requirements, the foreign firms, which are much bigger and more nuising as to the environment than the home ones, are being located most often not in Warsaw itself, but within its peripheries and in the neighbouring voivodships.

It should be emphasized that in Polish conditions, for a private sector business to develop, the appropriate demand and supply must appear simultaneously in a given location. The situation is different in developed countries with market economy, where appearance of demand in one place causes attraction of capital from other place, if that is what a given kind of production requires. In Polish conditions such attraction is very weak.

Low mobility of private sector results from its economic weakness — buying of adequate premises, or of a plot of land and together with construction of a plant, and buying of a flat — all this is beyond the capacities of most of the „capitalists without the capital”. Because of this the best is the situation of those who inherited construction-bound plots of land, houses and other real estate type assets in these regions where there are advantageous conditions for private sector. It is these people who have the initial capital for starting of the economic activity.

The non-agricultural private sector has been developing in Warsaw and in its vicinities very intensively over the recent years. The number of employees, including owners, of this sector in Warsaw voivodship increased between 1980 and 1987 from 75.8 thousand to 149.2 thousand, that is, by some 97%, while the number of employees of the socialized sector decreased from 1027.7 thousand to 922,0 thousand, that is by 10%. The share of the previous sector in total employment outside private agriculture increased from 6.9% to 13.9%.

Similarly as in the whole of Poland, private businesses are in Warsaw voivodship of very small magnitudes. The average employment in a firm was in 1987 at 2.8 persons, including owners (while the national average was 2.2 persons), this average consisted of the home sector average of 2.6 persons (national average being 2.0 persons) and the



foreign sector average of 71.0 persons (national average being 99.5 persons).

The sector analysed is distributed unevenly over Warsaw and its vicinities (see Fig. 3). This spatial distribution illustrated through data on shares of taxes from non agricultural private economy in incomes

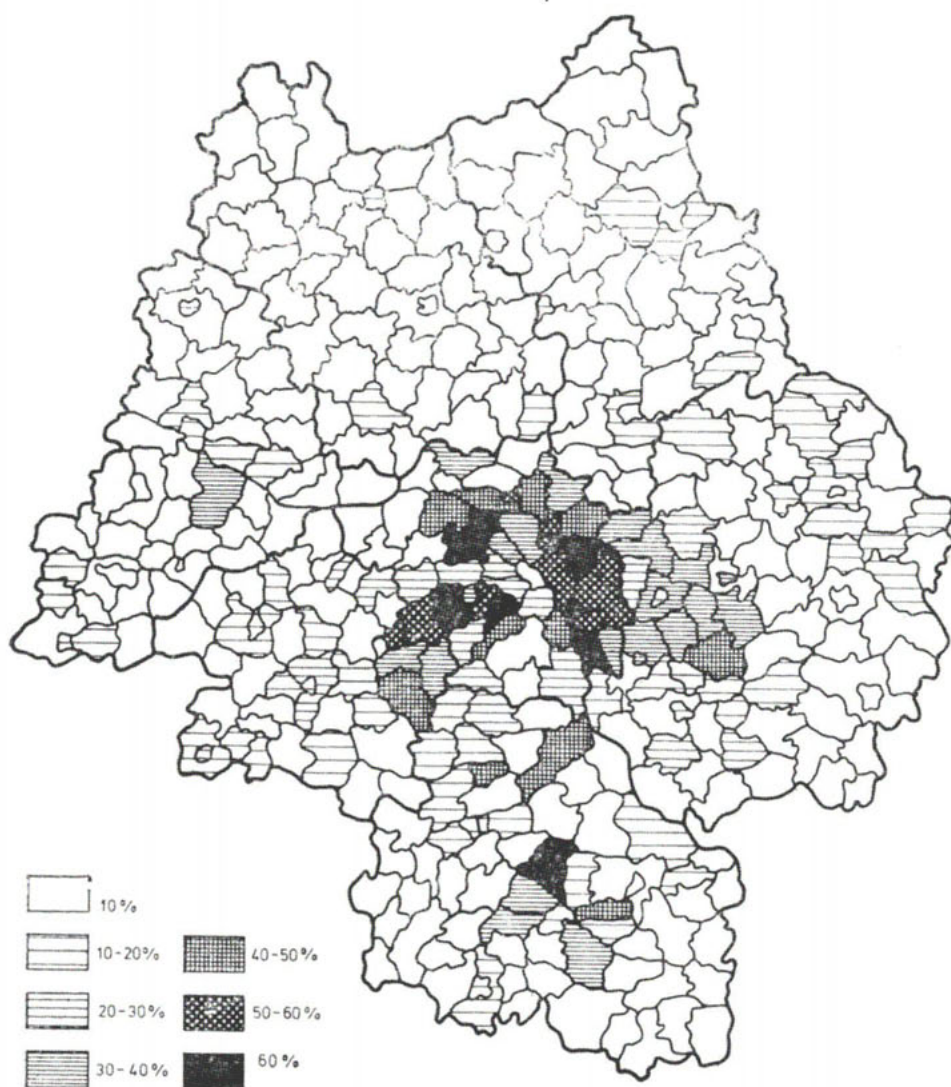


Fig. 3. Capital voivodship of Warsaw and neighbouring voivodships. The shares of taxes from non-agricultural private businesses in the budgetary incomes of local self-governing bodies in towns, township communes and other communes in 1985, in %.

of the lowest level territorial units (districts of Warsaw, townships and communes) in Warsaw voivodship and in neighbouring voivodships.

This sector is quite well developed in the peripheral quarters of Warsaw, and even more so in the zone between the boundaries of the city and of the voivodship of Warsaw. Two areas of concentration can be noticed here, one to the West and another one to the East and South-East of Warsaw. Both these areas go beyond the boundaries of Warsaw voivodship. In both cases the areas are highly urbanized and have good transport connections with the centre of Warsaw. As the distance from Warsaw voivodship increases the intensity of the phenomenon studied abruptly decreases. A concentration of private non-agricultural businesses, though much smaller than around Warsaw, exists also around Radom — the greatest town in the belt of voivodships neighbouring with Warsaw voivodship.

The analysis confirms our previous statement stipulating that the non-agricultural private sector is mainly oriented at serving the metropolitan market and that it tries to find location as close as possible to such a market, in places with well developed infrastructure and good transportation connection with the urban centre.

New, very liberal regulations concerning functioning of the private sector, introduced in 1989, have accelerated the process of emergence of private businesses. Liberalization shall not liquidate, however, the economic weakness of private sector, i.e. its lack of capital. That is why one should not expect, in fact, important changes in the manner of functioning of this sector, including such features as production structure, spatial distribution and mobility. Significant changes could occur when joint stock companies with participation of individual stockholders would appear on a broader scale. Such companies could relatively quickly gather adequately large capital, start production for supplying the state industries and of more sophisticated consumption goods, etc., and these companies would be spatially more mobile. Joint stock companies would be more useful for the national economy than the present private home sector, more effective, and simultaneously more democratic and just, since they will make it possible for everyone to become a private entrepreneur, and not only, as it is now, for those who inherited real estates near Warsaw or Poznań.