

A Study Of The Economies Of Poland And Romania During Communism Period (1945- 1989)

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doi: 10.19044/esj.2016.v12n10p21 [URL:http://dx.doi.org/10.19044/esj.2016.v12n10p21](http://dx.doi.org/10.19044/esj.2016.v12n10p21)

Abstract

The present economic crisis has highlighted a country in transition to a market economy, which has not experienced economic recession: Poland. The Polish experience cannot be overlooked because the country's positive economic evolution was completely different from the evolution of the largest European economies, many of them facing distressful situations for long periods of time.

The question to be addressed in this paper is „Could the present economic realities be partially influenced by the historical evolution of a country?“ In an attempt to provide an answer to this question, the present paper will highlight the social and economic developments in Romania and Poland in relation to developed countries for the period 1945-1989 and will conduct a comparative analysis between the two countries. The conclusions of the present study will be the starting point in a comparative analysis of the two countries in the post-communist period.

Keywords: Communist period, economic development, comparative analysis, Romania, Poland

Introduction

The post-war economic and social development of Poland and Romania was conducted under the auspices of World War II' aftermath, both by huge human and material losses and especially by its political consequences. Like interwar period, Romania and Poland were part of the same historical destiny. Having remained in the area of influence of the USSR, they were decoupled from market economy system of the Western countries. Thus, like other new socialist countries, they had to refuse the Marshall Plan and they had to restructure their economies after the Soviet model, nationalizing most of their industry and services and transforming different parts of former farms in agricultural cooperatives (a much lower level in Poland) and managing the planned development of the economy.

Post-war period can not be treated in a uniform manner and are there two distinct sub-periods: 1945-1973, the period of economic revival and accelerated growth and 1974-1990, the period with the collapse of "Curtain Iron".

The aim of this paper is to provide an answer to the question of whether a country's current economic situation can be explained by means of its historical evolution. We try to come up with an answer to this question by comparatively analyzing Romania and Poland during the post-war period and searching for possible causes of their different evolutions so far in their manner of development during communist period. The paper is structured as follows: Chapter 1: provides a general view of Poland and Romania during the communist period and Chapter 2: briefly analyzes of the two countries' economies during the same time frame. We conclude by accentuating on the peripheral character of both to countries' development in the communist period and on the lessons to be learned from here for their current economic situation.

A general view of Poland and Romania during the communist period Poland in the communist period

Before the end of the Second World War, the Soviet Union sent the message to the Polish government in exile in London, it can not be considered a border between the two countries that would leave a larger number of Belarusians and Ukrainians in Poland. In fact, in the Conference in Tehran, I. Stalin, W. Churchill and F. Roosevelt established the principle that borders of Poland had to take into account the Curzon line (east) and Oder River (west). New frontiers (east and west) of Poland were confirmed at Yalta in February 1945 and included in the signed treaties after the end of the war.

After the war, Poland had an area of 312.679 km² representing approximately 80% of the interwar Poland (388.634km²) bordering the USSR, Czechoslovakia, and East Germany. Poland lost to USSR 46% of its interwar area and gained about 33% of Polish territory after the war, actually Poland was moved from east to west. Following the human losses caused by the war and also of territorial changes, in February, 1946 (first census after the war), Poland's population was 23.93 million inhabitants with nearly 11 million less than in 1938, but will reach about 37 million inhabitants in 1990. Almost 489,000 ethnic Ukrainians and 36,000 ethnic Belarusians were transferred to the Soviet Union and almost 3.2 million Germans have left Poland. Meanwhile, in Poland were transferred 1.5 million Poles from the USSR and 2.3 million Poles from Germany and other countries (Landau, 2001).

Thus, after the war, the percentage of minorities deeply declined. Post-war changes have been profound. Poland lost (to USSR) weak economic developed regions and won territories although considered peripheral in the context of the Third Reich, were far more developed than those lost. It should be emphasized that throughout Poland has experienced massive destruction caused by the war, for example Warsaw and Wroclaw were some of the most devastated cities from Europe. The new Polish state had to face enormous problems. It had to find solutions reviving economic life, to rebuild the devastated areas and integrating new won territories. Regarding the new territories it should be noted that they have been developed for centuries in the German economic system. As such, the Polish authorities had to manage not only the rebuilding of these areas, but also to establish new ties to the new territories in all fields. After the Second World War, no European country had to solve such difficult matters and at such a scale. In addition, after the war, Poland passed into the zone of influence of the USSR. Thus, in Poland were imposed the Soviet model of "popular democracy" and the planned socialist economy. Private enterprises were nationalized and it was tried collectivization the Polish agricultural properties, collectivization which was conducted in a much slower pace than in the other socialist states, Poland was the only country where agriculture has been dominated by the small agricultural properties.

Romania in the communist period

At the end of World War II, like other countries in Central and Eastern Europe, Romania fell into the Soviet zone of influence. Ever since the Yalta Conference, it has been recognized to the Soviet Union special interests for Romania. During the peace talks in Paris, the Romanian delegation failed to obtain the status of co-belligerent, Romania, as a defeated country, was obliged to accept the presence of the Soviet troops on national territory and to pay huge war compensation. Northern Transylvania was returned to Romania canceling the Treaty of Vienna, but Northern Bukovina, Bessarabia, Herta and southern Dobrogea (Cadrilater) remained ceded to USSR, respectively to Bulgaria. Thus, Romania's surface decreases from 295 049 km² before WWII to 238,391 km², remaining the largest country of south-eastern Europe and 12th in Europe. Due to human and territorial losses caused by war, Romania's population decreased by over 2 million people from 18,057,028 inhabitants (according to census 1930) to 15,872,624 inhabitants in January, 1948 (INS, 2002) At the last census held in 2011, Romania's population was 19,042,936 inhabitants (INS, 2012). Human and material losses suffered by Romania were considerable. Romania has lost a total of about one million people as killed, missing or displaced (prisoners and deportees who have returned in the early years after

the war). Total material losses of Romania were about 3.7 billion Lei (the exchange rate of Leu in 1938), of which about one billion before 23 August 1944, 1.2 billion from August 1944 until May 1945 and 1,5 billion after applying Armistice Convention. As can it be seen, the material losses were multiplied after 23 August 1944 and the highest share were the compensations for the Soviet Union. (Murgescu, 2011). These compensations, out of the question, had to be paid not in cash but in goods (at prices of 1938, much lower) which amplified hemorrhage the national wealth, seriously affecting the ability to resume production cycles both in agriculture and in industry and transport. Associated with considerable war losses, the compensations have contributed to a dramatic decline in production after the end of the war. In conclusion, in Romania, aftermath of World War II was the most damaging in terms of material, human and politic. As a result of agreements between major powers, Romania entered the Soviet sphere of influence, which will put its mark on the next evolution of her social, economic and political life. The worst effects were on the medium and long term and were political developments. Like in other socialist countries, in Romania was applied a deeply restructuring process which affected all areas of social life. The establishment of Soviet political system was completed in its essential lines at the end of 1947, followed by economic and social restructuring. This comprised both changing property relations and establishment of control mechanisms specific to the communist system. Industrial enterprises were nationalized as the most services, and a significant part of urban housing stock. In Romania, collectivization was applied for the most part of agricultural land and agricultural inventory.

A short comparative analysis between the economies of Poland and Romania in the communist period

The economic recovery of Romania and Poland (as well as of the other socialist countries) was largely made on their own resources. The USSR did not have the capacity or the will to grant comparable aid with the aid given by the US to developed countries in Western Europe. In each socialist country, the resources were used to the maximum, reducing consumption especially in the first decade after de war (for Romania after 1980, too) and by a high rate of investment, mainly oriented in the direction of industrial development.

Capital investments were accompanied by extraordinary mobilization of manpower resources through the transfer of labor from agriculture to industry and by attracting women in productive activities. For a first analysis of the performance of Romania and Poland after the war, it is worth to emphasize the evolution of GDP / capita in the period 1950- 1989:

Tab. 1: Evolution of GDP/capita (PPP) in Romania, Poland and Europe (1938-1989) (1990 international Geary-Khamis dollars)

	Romania	Poland	7 East European Countries	Average of 36 European Countries	Romania compared to European average	Poland compared to European average
1938	1,242	2,182	1,764	3,226	0.38	0.68
1950	1,182	2,447	2,111	3,655	0.32	0.67
1960	1,844	3,215	3,070	5,316	0.35	0.60
1970	2,853	4,428	4,315	7,697	0.37	0.58
1980	4,135	5,740	5,786	9,643	0.43	0.60
1989	3,941	5,684	5,915	11,113	0.35	0.51

Source: Maddison (2003) and own calculation

Above data, outlines the increasing gap Romania, Poland compared both the European average (which was expected) and to other eastern European countries. The developments of two countries were mainly similar; however, after the war, Romania has suffered effects of war more than Poland (and to the other socialist countries), then Romania has seen a high growth of about three decades (above the European average), followed by a last disastrous decade in terms economic development. Regarding the evolution of Romania and Poland in this last "socialist decade", is it useful to compare the performance of different socialist countries.

Tab. 2: Evolution of GDP / capita in the European socialist countries in the period 1980-1989 (index 1980 = 100)

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Albania	100.0	100.6	101.1	101.7	102.3	102.8	103.5	104.1	104.8	105.5
Bulgaria	100.0	102.3	105.4	103.2	106.4	103.0	105.6	105.6	104.8	102.8
Czechoslovakia	100.0	99.1	100.8	102.1	104.2	104.8	106.6	106.9	109.1	109.8
Yugoslavia	100.0	101.2	101.4	101.8	103.9	104.3	108.2	106.6	104.8	103.0
Polonia	100.0	93.8	92.1	95.8	98.4	98.6	101.0	99.0	100.9	99.0
Romania	100.0	98.8	98.5	97.4	101.0	100.6	101.9	99.4	98.8	95.3
Hungary	100.0	100.7	104.4	103.5	106.4	104.0	106.2	108.1	111.5	109.5
Soviet Union	100.0	100.1	101.7	104.0	104.3	104.3	107.6	108.0	109.4	110.5

Source: Maddison (2003)

In economic terms, 1980- 1989 period was fatal for all socialist states. The average annual economic increases have not exceeded 1%, which represents a significant slowdown both compared to the previous decades and in relation to growth rates in other parts of the world for the same period. In addition, at this time, two states recorded a negative growth: Romania and Poland. Regarding Poland, a big part of this involution was determined by the economic collapse in the years 1979-1982, related largely (but not only) with the "Solidarity" movement. Compared with Poland, Romania has

experienced fewer sociopolitical conflicts. However, in 1980-1989, Romania's economic performance was significantly weaker than Poland, not taking into account other socialist countries:

Tab. 3: Comparative analysis of the economic performance of Romania and postwar Poland (GDP / capita, PPP, Geary-Khamis dollars 1990)

Year	Romania	Poland	Romania/Poland	Poland/Romania
1938	1,242	2,182	0.57	1.76
1950	1,182	2,447	0.48	2.07
1960	1,844	3,215	0.57	1.74
1970	2,853	4,428	0.64	1.55
1980	4,135	5,740	0.72	1.39
1989	3,941	5,684	0.69	1.44

Source: Maddison, (2003)

The analysis Romania-Poland is not useful taking into account only the evolution of GDP/capita but a series of other indicators, too. From the multitude of available data, were selected only a few socioeconomic indicators, sufficiently diversified to offer an overview of the position of Romania and Poland in Europe, at the end of communist period.

Tab. 4: Economic level of Romania and Poland in European Context (1989)

Country	Value added in manufacturing (USD /inhab.)	Grain yield (kg / ha)	Average daily consumption of calories (kcal)	Average daily consumption of animal protein (gr.)	Cars per 1000 inhabitants
Albania	258	2914	3049	20.2	
Austria	3793	5407	3496	64.8	366
Bulgaria		3991	3683	52.2	137
Czechoslovakia		4951	3609	63.3	138
Denmark	3935	5646	3622	66.2	309
Switzerland	6736	4541	3565	63.8	424
France	3655	6101	3449	76.1	395
Germany (FRG)	6690	5715	3464	63.8	420
Greece	923	3306	3793	57.3	143
Ireland	3537	6169	3779	66.9	208
Italy	2297	3816	3508	57.3	303
Yugoslavia	1277	3550	3620	40.4	131
Poland	836	3136	3464	56.1	119
Portugal	839	1659	3414	49.9	202
UK	4048	5792	3181	53.9	349
Romania	778	3109	3252	38.3	50
Spain	1857	2669	3567	59.1	276
Hungary		4772	3668	55.5	169
Soviet Union		1925	3380	56.1	45
<i>European average</i>	<i>2642</i>	<i>2807</i>	<i>3423</i>	<i>58</i>	<i>197</i>
Rank of Romania	22/24	19/24	19/24	22(23)/24	23/24

Source: Murgescu (2011), Grigorescu (1993)

If we analyze the position of Poland compared to the European average, we notice that, except value added in manufacturing (USD/inhabitant), the other indicators of Poland are close to average. The level of value added in manufacturing was one very low but not real, taking into account the potential of the country and considering that this comparative analysis is made at the level of the year 1989, influenced by political movements in Poland. The real value of this indicator will be proved by the evolution of this indicator after 1993. Regarding Romania, the results of this analysis are completely different. Romania was ranked on the last places in Europe, not only behind the developed capitalist countries, but also behind the majority of communist states. At some indicators, the level in Romania was very low between only one third and one quarter compared to European average. If we extend our research to other social indicators such as the gross enrollment rate of higher education, infant mortality and average life expectancy at birth, Romania was ranked last in Europe in competition with Albania.

Tab. 5: The gross enrollment ratio in higher education in 1989 (%)

Country	%
Finland	43.0
Norway	37.2
Belgium (1988)	34.2
Germany (FRG)	33.7
Holland (1988)	32.4
Spain (1987)	31.5
Denmark (1988)	31.5
Austria	31.4
Sweden	31.3
Italy	28.6
Greece (1987)	28.0
Bulgaria	26.2
Switzerland	26.2
Ireland (1988)	25.8
Soviet Union	25.1
UK(1988)	23.5
Poland	20.3
Yugoslavia	19.0
Portugal	18.4
Czechoslovakia	17.6
Hungary	14.7
Romania	8.6
Albania	8.5
<i>European average</i>	<i>26.4</i>
<i>World average</i>	<i>14.0</i>

Source: Grigorescu (1993)

Interesting is the analysis of performances of Romania and Poland in agriculture and a first indicator in this regard is the labor productivity in agriculture (see Table 6). The analysis of labor productivity takes into account active males in agriculture, favoring developed countries that use less labor and more capital, and the results could be distorted.

Therefore, in order to have a real view of agricultural productivity, we have to complete our analysis with other data, for example wheat crop yield (see Table 7).

Tab. 6: Agricultural productivity in Romania and Poland and other European countries in the period 1948 / 52-1988 / 92 (millions of calories produced by a male agricultural worker)

Country	1948/52	1958/62	1968/72	1978/82	1988/92
Austria	15.2	35.0	56.2	94.7	117.9
Bulgaria	12.5	22.3	49.2	89.5	117.3
Czechoslovakia	21.8	35.5	52.7	73.2	91.3
France	22.3	40.8	64.8	120.2	187.3
Germany (FRG)	31.8	59.7	106.7	183.9	240.6
Greece	4.5	7.0	8.6	15.0	22.3
Irland	20.9	31.3	38.6	64.9	94.8
Italy	9.2	18.4	31.2	58.1	83.2
Yugoslavia	18.6	33.9	40.3	75.4	88.4
UK	36.6	62.1	85.1	111.7	139.7
Poland	19.6	28.7	35.6	40.0	45.3
Portugal	6.6	8.8	18.6	25.5	44.5
Romania	8.6	12.5	23.2	52.9	59.2
Hungary	12.3	21.6	35.9	71.3	90.7
Soviet Union	21.3	38.3	55.8	58.8	63.4

Source: Murgescu (2011)

Tab. 7: The yield of wheat crop in Romania and Poland and other European countries in the period 1950-1990 (quintals/ha)

Country	1950	1970	1990
Austria	17.1	32.8	51.5
Bulgaria	12.4	29.3	40.0
Cehoslovacia	19.0	32.5	51.2
Franta	18.3	38.3	64.1
Germania (RFG)	26.2	39.0	65.6
Grecia	10.2	17.8	26.4
Irlanda	22.6	42.2	81.8
Italia	15.2	23.7	30.5
Iugoslavia	11.9	24.2	41.1
Marea Britanie	27.1	40.8	70.2
Polonia	12.5	24.7	36.3
Portugalia	7.2	10.3	15.5
Romania	10.2	18.8	34.2
Ungaria	13.8	27.1	50.1
URSS	14.7	14.3	19.2

Source: Murgescu (2011)

Also in this case, the position of Romania and Poland was one peripheral for the entire period 1950-1990:

Tab. 8: Economic level of Romania and Poland in European context (1989) expressed by other data

Country	Milk yield per cow liters/ head	Number of tractors/ 100 ha	Consumption of fertilizers kg./ ha
Albania	1,276	1.7	137.2
Austria	3,917	22.9	210.1
Bulgaria	3,295	1.3	221.5
Czechoslovakia	3,254	2.7	314.4
France	2,818	7.9	313.8
Germany (FRG)	4,920	19.0	410.7
Greece	1,943	4.8	165.2
Ireland	3,880	17.3	725.1
Italy	3,557	11.7	173.9
Yugoslavia	1,785	14.2	130.7
UK	5,009	7.7	348.7
Poland	3,358	7.8	245.7
Portugal	3,353	2.0	78.3
Romania	1,951	1.5	117.7
Hungary	5,043	1.0	268.2
Soviet Union	2,587	1.2	117.9
Average of developed countries	4,057	9.2	247.5
Average of socialist countries	2,561	3.1	133
European average	3,118	3.5	157.4

Source: Grigorescu (1993)

The above data confirm peripheral position of Romania (below the average of the former socialist countries) and recorded higher position for Poland (even higher than the European average). In the next table, I will present the evolution of per capita GDP in Romania and Poland after the second war.

Tab. 9: Evolution of per capita GDP in Romania, Poland and Europe¹ (1938-2002) (1990 international Geary-Khamis dollars)

	Romania	Polonia	7 East European Countries	average 12 West European Countries	Romania compared to average 12 WEC	Poland compared to average 12 WEC
1938	1,242	2,182	1,764	4,818	0.26	0.45
1950	1,182	2,447	2,111	5,018	0.24	0.49
1960	1,844	3,215	3,070	7,607	0.24	0.42
1970	2,853	4,428	4,315	10,959	0.26	0.40
1980	4,135	5,740	5,786	14,057	0.29	0.41
1989	3,941	5,684	5,915	16,824	0.23	0.34
1995	3,174	5,623	4,998	17,215	0.18	0.33
2000	3,002	7,215	5,804	18,740	0.16	0.39

Source: Maddison (2003) and own calculations

The gaps between both countries and west European developed countries were not improved (Axenciuc, 1997; Pascariu, 2011 and Dadak, 2012). Poland succeeded better evolution especially in the last years before joining the UE, based on important reforms in economy (Hustad, 1996 and Prochniak, 2011).

Conclusion

In conclusion, analyzing the economies of Romania and Poland in communism period, we could consider their evolution as similar. Despite the initial success of economic development (owing of using in excess of their resources and owing to the relatively low starting level of the Romanian and Polish economy) the gap with capitalist countries was not preserved, the gap was larger. This situation reflects their peripheral development especially in Romania and it proves in fact, the failure of the socialist system, of which the two countries were part. In addition, this situation will influence the future evolution of both countries in the transition to a market economy.

Sudden transition to a market economy in terms of a significant gap from the development countries, have made the economies of the former communist countries very vulnerable during the economic crisis of 2008. There was an exception: Poland. In case of Poland, it has been about “hard work, intelligence” and excellent management of EU funds with a special focus on fiscal and monetary policy. (IER, 2014)

¹ Average of 12 West European Countries (Austria, Belgium, Denmark, Finland, France, Germany, Italy, Norway, Sweden, Switzerland, UK) and average of 7 East European Countries (Albania, Bulgaria, Czechoslovakia (or Czech + Slovakia), Hungary, Poland, Romania, Yugoslavia (or former Yugoslavian area)

The present status of the economies of Romania and Poland is a result of economic decisions especially the collapse of communism but the influences of historical evolution have to be taken into consideration.

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