

ABSTRACT

This paper analyzes the behavior of the Polish Socialized sector during the seven months of the reform program launched by the government in January, 1990. We show that the response of enterprises to macroeconomic measures can be traced to the ownership-control structure of the Polish economy. We attempt to explain product and labor market policies of enterprises. We also review some evidence on rationalization of production. We argue that loosening of bureaucratic controls may have not, thus far, had expected desirable effects on the behavior of many enterprises. Instead, absence of external accountability, characteristic of the post-command phase of the Eastern European economies, have led in Poland to widespread decapitalization and decline of investment activity. The only external instrument of control over enterprises has been the credit policy of the government. We conclude that, in order to improve both the macroeconomic and microeconomic responses of the Polish economy, widespread privatization appears to be necessary.