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## **Public Capital and the Post-Communist Welfare State: The Case of Poland**

*Abstract:* This paper provides an overview of some of the main theories of the welfare state. It builds upon Polanyi's theory of the double-movement and relates this to Bourdieu's concept of multiple capitals. It argues that the welfare state can be understood as a form of public capital, both in an economic and sociological sense. The welfare state emerges and is maintained due to a social countermovement that at least partly removes areas of socio-economic life out of commodity relations. In turn this creates public capital, which is both economic and social. In the post-Communist countries most of this public capital was created during a period when almost the whole of economic and social life was controlled by the state. Once the Communist system collapsed, so the accompanying policy of full-employment and system of social welfare organised through state enterprises disappeared. This was met with a large rise in unemployment and labour deactivation, meaning that many social benefits were created during the initial years of the transition. Also, the post-Communist systems inherited large amounts of public capital in the form of public services such as health and education. Through the example of Poland this paper analyses how this public capital was initially maintained and even developed during the early transition period, but then how a process of commodifying it was later begun.

*Keywords:* Welfare state, post-Communism, Poland, Capital, Countermovement, Bourdieu, Polanyi

### **Welfare State Perspectives**

The main theories explaining the growth and existence of welfare states, in the developed capitalist world, can be broadly be divided into three groups.

Firstly, is the idea that the growth of a large public sector and welfare state is a natural part of capitalist development. Adolf Wagner at the end of the nineteenth century, argued that industrialisation created needs which the state was forced to respond to, meaning that as economies industrialise so public expenditure grows. Also, Wilensky (1974) postulated that demographic changes, connected to industrialisation and growing affluence, created rising demand for pensions and helped to forge a constituency of support for the rapidly expanding welfare state. Likewise, 'path-dependency' theories, state that government spending expands through stages, with the age of a country's social security system being the best predictor of its size. (Aaron 1967)

A second, more critical approach, argued that the welfare state was built upon extending the self-interests of particular social groups. Therefore, economists such as Joseph Schumpeter (1942) and Fredrich Hayek (2005) argued that democracy was liable to be lured by the temptations of economic interventionism and redistribution. Also public choice theory, claimed that governments are not purely altruistic entities that are able to cure mar-

ket imperfections, but are rather aggregates of individuals that pursue private rather than public interest to gain economic benefits and privileges for themselves. (Buchanan 2002; Buchanan and Tullock 1999)

The third approach to the welfare state has been inspired by Karl Polanyi's (1944) theory of the double movement, whereby the market extended to creating genuine commodities, but was restricted in regards to fictitious ones (such as land, labour and money). This counter-movement served to socially embed the market, allowing capitalism to evolve. Polanyi's theory was up-dated after the Second World War. Famously Marshall (1992) argued that the growth of the welfare state in the 20<sup>th</sup> century was part of the enlargement of social rights, which followed the civil and political rights that had been gained in the eighteenth and nineteenth centuries. Later Korpai (1985) reasoned, through his Power Resource Theory (PRT), that the major differences between the welfare states in the world could be understood by the relative strength of social democratic parties and trade unions. Expanding on these ideas, Esping-Andersen (1993) contended that if rights were to be universal then this inevitably means creating areas of socio-economic life that are *decommodified*. For Esping-Andersen a crucial test for a welfare state is whether someone is able to maintain a socially acceptable standard of living, when they are not engaged in productive work. The level and availability of unemployment benefits, paid maternity/paternity leave, free universal healthcare, education, pensions and so on determine this.<sup>1</sup>

### Capital and the Welfare State

Perspectives of the growth of the public sector and welfare state, have to some degree correlated with opinions about how these relate to capital. Here there are two main perspectives.

Firstly, is the idea that public spending—upheld by taxation and public debt—reduces the profits of private businesses and thus suppresses the generation of private capital. This 'crowding out' theory<sup>2</sup> states that public debt and spending is a cause of economic slow-downs and persistent recessions, as these crowd out the private sector, thus reducing its profits and ability to generate private capital. (Kobayashi 2013; Reinhart and Rogoff 2010; Reinhart et al. 2012)

This contrasts with those who argue that increased public spending contributes to the growth of national income and produces new public capital. Keynes (2002) believed that all expenditure is productive as it raises national income as a multiplier. He argued that in periods of crisis it may be necessary for the state to 'induce investment' in infrastructure and, what he described, as the 'comprehensive socialisation of investment.' Likewise, Michał

<sup>1</sup> Esping-Andersen (1993) deployed the concept of decommodification as a means to measure and compare welfare states. He claimed that there are three types of welfare state in Europe: Firstly *liberal Welfare States* (e.g. the UK)—where benefits are modest, means tested and where entitlement rules are strict. Secondly, are *corporatist welfare states* (e.g. Germany) which are concerned with preserving status divisions and centred on traditional institutions such as the Church and family. Finally are *universal/decommodified Welfare States* (e.g. Sweden), in which high quality universal benefits and services are provided.

<sup>2</sup> This states that the growth of the public sector and government debt 'crowd out' the private sector, suppress its profits and therefore reduce investments.

Kalecki (2010) believed that government investment and subsidies would increase effective demand for goods and services to a point where full employment could be achieved. Therefore, public spending can both help to raise the productivity of the private sector (providing infrastructure, increasing labour skills, etc.) whilst also increasing national income through creating its own sources of capital. Public capital rests upon a different social relation, as a surplus is not drawn to augment private profit (although it may indirectly assist in this) but rather creates a general resource by and for the government that in some way contributes to the economic, social or political development of a country. We shall now investigate this line of thought further, by looking at public capital in a sociological perspective.

### Social Science and Public Capital

The notion of capital has been deployed, within the social sciences, to describe a range of social phenomena. This has two distinct intellectual traditions. On the one hand, the concept of social capital was deployed by economists such as Gary Becker (1996) and sociologists like James Coleman (1988), who following the tradition of rational choice theory believed that areas of social life could be understood according to market criteria and calculated by the worth that they bring an individual. (Fine 2010) However, the use of capital in the social sciences also has its roots in the critical sociology of Pierre Bourdieu, who used it to help explain class structures and social inequalities.

Bourdieu (1986) sought to encompass both non-material (cultural, symbolic, social) as well as material (economic) capitals into sociological enquiry. He argued that when economic capital is hindered, then more clandestine cultural capital comes to the fore and he was interested in those parts of capitalist societies (such as education or religion) that do not exist for the purpose of maximising profits.<sup>3</sup> (Bourdieu 1998)

Bourdieu's approach to the public sector and welfare state was twofold. In the majority of his writings he tended to replicate some of the ideas of public choice theory, which viewed the welfare state as an element of the social hierarchical system of power and control, within which there is a struggle for political capital that allows for the private appropriation of public goods. (Bourdieu 1990) On the other hand, in one of Bourdieu's last works, he argued that the European welfare state is a guarantor of welfare and human rights (such as education, health and social security) and that it encompasses the historical achievements of social movements, containing traces of 'social struggles from the past.' (Bourdieu 1998b)

If we follow this second line of thought, we can see how the structures and social relations, created by the welfare state, constitute a form of public capital in contemporary society. The existence of public services and social benefits were created out of social conflicts (i.e. a countermovement in Polanyi's terms) resulting in the implementation of certain government policies. Such things as the formation of a universal health system led to the

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<sup>3</sup> Bourdieu (1990) therefore wrote about the world of academia, where the accumulation of academic credits, titles and so forth amount to a form of cultural capital that differentiates those in this world from those outside it and shapes inequalities within it. Another example is the Church, which obeys the pre-capitalist principles of the domestic economy, through such things as offerings, volunteerism, sacrifice, etc.

physical construction of buildings and equipment and the training and employment of its workforce. The health of millions of people was improved through access to these services, whose benefits are long-term and pass on to future generations. Furthermore, people's consumption power increases as they have access to services that they would previously have been unable to afford.

Public capital takes on a number of forms. We can see this if we pay attention to the two major types of capital identified by Bourdieu: economic and cultural capital. For Bourdieu, economic capital tends to be synonymous with private wealth and the market. The problem with this definition of economic capital is that it does not explain the economic wealth that has been created by the state and congealed within the public sector. This economic capital does not exist according to the logic of the market nor for the private appropriation of wealth. The expansion of public services and benefits also generates new pools of cultural capital. The provision of compulsory, universal and free school education directly raises the cultural capital of millions of people. The gaining of academic qualifications through a state education, leads to the acquirement of an institutionalised form of cultural capital that had previously only been available to privileged social groups. Furthermore, pupils and students gain knowledge and cultural skills that allow them access to formerly closed social activities and circles (i.e. it potentially valorises their social capital) and undertake a course of upward social mobility.

Public capital has become an essential and integrated part of the developed capitalist economies. However, this public capital also exists as a potential resource to be recommodified, brought back into the sphere of market exchange and turned into private capital. Yet, despite living through an era of so-called neo-liberal capitalism, the size of the public sector and welfare state has continued to grow. Many governments have been restricted in their attempts to re Commodify the welfare states, as large sections of society have provided a countermovement as they have been unwilling to lose the public capital (economic as well as cultural) that they have hitherto accumulated. This public capital is embedded in social groups, as 'consumers' of services and benefits as well as employees. Within the EU public sector workers make up around 17% of all employees and these are often the most trade unionised sections of the workforce, who provide a significant barrier to the dismantling or commodification of public capital.<sup>4</sup> Public capital is therefore not just an economic unit but a historically embedded social relation. We shall now turn to look at public capital and welfare state in the post-Communist context, with reference to the specific situation in Poland, by first considering its existence during Communism.

### **Public Capital and Welfare during Communism**

Almost all areas of economic and social life during Communism were immersed into the public field, as they were controlled or directed by the state. One of the defining features of

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<sup>4</sup> For example, private sector trade union density in the USA fell from over 30% in 1979 to just 7% in 2011 and in Britain this dropped from 44% to 15%. However, public sector trade union density has risen: from 12% in 1960 to more than 70% in 2011 in Canada; from 11% to 36% in the USA during the same period and although it fell sharply from a peak of 82% in the UK in 1979, it still stood at 56% in 2011. (*The Economist* 2011)

the Communist economies was the decommodified nature of labour. This was maintained through the guarantee of full-employment by the central government, which was made possible by the state's monopolisation of the vast majority of the economy, both at a micro and macro level.

With the overwhelming majority of workers employed in the state sector, the welfare systems took on a different form to those in the West. As well the vast majority of people having a guaranteed job, employees received other benefits and services via their workplace, such as access to holiday facilities, some health care services, pensions and country homes. Therefore, as labour was decommodified through the policy of full-employment, individuals were reliant upon their workplace to receive full welfare benefits. Conversely, those who were excluded from the labour market would often find themselves living in conditions of poverty without access to benefits. This is diametrically opposed to the situation in the welfare states in Western Europe, where the crucial feature of decommodification—as identified by Esping-Andersen—concerns whether one can maintain a socially acceptable standard of living whilst not in employment.

Bourdieu wrote very little about the Communist systems, restricting himself to a brief analysis of how political capital helped to structure inequalities as economic capital was suppressed. (Bourdieu 1998c) Once again, we see the problems of limiting the notion of economic capital to private commodified capital. Certainly it is true that with market relations and commodity exchange stifled, then advantage and privilege were gained through political connections and networks (i.e. political capital). Simultaneously, however, significant economic development occurred throughout the Communist period, particularly during the first couple of decades of its existence when the countries of Central and Eastern European (CEE) underwent huge industrialisation and urbanisation. It was not the case that economic capital did not exist during Communism (how else can we explain the building of factories, housing, transport, infrastructure, hospitals etc.?), but rather that this economic capital was primarily non-commodified.

Public capital also expanded within the Communist period in the field of welfare. This included the physical construction of buildings and infrastructure such as schools and hospitals. Large numbers of people were employed in these institutions and similarly millions of people used the services provided by them. This created new pools of economic and cultural public capital, that became deeply embedded within society. Also, in the Communist societies, public capital had a unique relationship with political capital, with the later sometimes helping to determine who had access to the former. This relationship can clearly be observed in the field of pensions. As wages tended to be relatively egalitarian, so pensions provided a means for the authorities to allocate labour into sectors that it wished to prioritise. Therefore, groups such as farmers, teachers and miners received comparatively generous pension payments in Poland. It also helped the government to placate some social groups during periods of social unrest, such as the shipyard workers and miners. (Cain and Surdej 1999) One consequence of this policy was the formation of interest groups around pensions, with some of the political capital accumulated in Communism passing over into public capital after the transition to capitalism.

## Institutions and Group Interests

At the beginning of the transition, many believed that the post-Communist countries would quickly move towards having minimalist, liberal systems of welfare. (Esping-Andersen 1996) However, this proved to be only partially true, as many of the welfare structures were at least initially maintained and new benefits even created during the early transition phase. This endurance of welfare structures has been explained in a number of ways, which tend to expand on the general analyses of the post-Communist transition.

The path dependency approach to the post-Communist transition is based upon the premise that the institutional framework inherited from the past provides the basis upon which new institutions are built. (Stark and Bruszt 1998) Accordingly, Inglot (2003), adopting an Historical Institutional approach, argues that the welfare systems in CEE developed in a complex and often ad-hoc manner, creating hybrid structures and institutional layers that are difficult to fit into existing classifications of welfare states in Western Europe.

An alternative approach has focused on the countermovement provided by certain social groups. For example, proponents of the Power Resource Theory understand the differences between welfare states as largely resting upon the crucial factor of labour. In CEE, following the collapse of Communism, labour was generally disorganised and politically disorientated. The level of trade union membership and the number of strikes during the transition were both relatively low, which meant that it was difficult for labour to defend or win new welfare positions.<sup>5</sup> For some, the major countermovement during the post-Communist transition was provided by particular interest groups that had formed during the Communist period and consequently provided a social and political brake to attempts to dismantle existing welfare structures. (Mokrzycki et al. 2002)

Both of these approaches offer a limited analysis of the post-Communist welfare state. The Historical Institutional perspective fails to account for why certain institutions have survived the transition and others have not. After all, some of the largest institutions, with the most developed bureaucracies, carrying huge political influence, simply collapsed along with the Communist system. Those institutions that remained have been tied to those parts of public capital that have endured the transition and are most rooted socially. Whilst there is undoubtedly a reciprocal relationship between the two, ultimately institutions are dependent upon public capital and not the other way round. Similarly, it is true that all individuals and social groups left Communism with particular interests and connected opinions and beliefs. However, these are only maintained if they are built around structures of public capital that has endured the transition. Public capital therefore sits at the centre of a network of institutions, interests, opinions and resources within the post-Communist countries. The extent to which different social groups have been able to maintain part of their inherited public capital is partly due to their relative political and economic strength. Public capital represents a material link between the interests of these groups (as understood through the

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<sup>5</sup> One exception was Slovenia, where trade unions were relatively strong and active at the beginning of the transition and managed to provide a robust countermovement during the transition from Communism. (Crowley and Stanojevc 2011)

power resource theory) and the countermovement that they are able to exert against the process of commodification.

In the second half of this paper we shall use the theoretical framework outlined above in order to examine the Polish welfare state during the transition from Communism. I claim that the specific character of the welfare state in contemporary Poland can be understood through this public capital prism. Firstly, we see how the dismantling of the previous non-commodified system of production and its accompanying policy of full-employment, led to a huge deactivation of labour and the formation of new social benefits to support those who exited the labour market. Secondly, large swathes of the public capital (both physical and human) were maintained at least during the early period of the transition, before being opened up to a new phase of recommodification. Thirdly, the deactivation of labour and increase in social spending partly help to create a new crisis in public finances, which in turn was temporarily eased through selling part of the inherited productive public capital from Communism. Fourthly, the existence of millions of people, as consumers, beneficiaries or employees of different elements of public capital, creates a significant although uneven social countermovement to the process of recommodification.

### **Deactivation of Labour and Social Benefits**

The welfare state was restructured, during the early transition period in Poland, as large parts of the inherited productive capital were dismantled. This led both to a large deactivation of millions of people and the simultaneous creation of new social benefits.

The welfare states during the post-Communist transition were being created during a period of (re)commodification, rather than decommodification as was the case in Western Europe after the Second World War. This process of recommodification in CEE occurred primarily through the commodification of labour. Labour changed from being a unit that was administratively allocated work, to a commodity freely exchanged on the market. This resulted in a large section of the labour force becoming redundant—as millions of people shifted from being active non-commodified to inactive commodified workers.

The de-activation of labour in Poland was rapid and long-lasting, occurring most comprehensively in those areas (such as around former state farms or heavy industries), where the demolition of productive public capital was most advanced. *Table One* shows how a large section of labour has been de-employed over the past couple of decades. Unemployment surged into double figures after 1990, rising to nearly 15% of the workforce by 1995 and peaking at almost 18% just prior to EU entry. This growth of unemployment was part of the overall deactivation of labour. While at the end of Communism 83.5% of those over 15 were in paid employment, presently this figure is just over 50%, having fallen to only 45% in the early 2000s. A further way of understanding this is to consider the inactivity rate in Poland (that includes all those over 15 years of age who are neither employed nor registered as unemployed), with over 40% of the Polish workforce defined as being economically inactive throughout the transition. The deactivation of labour has particularly affected women. In Western Europe during recent decades there has been a general retreat away from ‘maternalism,’ as a greater share of the burden of welfare has shifted from

women and the family onto the state and more women have entered the workforce.<sup>6</sup> However, within Poland an opposite trend exists, with a large group of women having moved out of paid labour and taken up a more traditional caring role within the family.

Table 1  
Health Care System During Communism (in thousands)

	1946	1950	1960	1970	1980	1990
Beds in Hospitals	80.6	87.2	135	169	201	219
Inpatients in Hospitals	1200	1614	2565	3263	4356	4579
Pharmacies	1722	1962	1936	2567	3245	3957
Doctors	7.7	9.2	28.7	46.5	63.6	81.6
Pharmacists	2.4	3.8	7.9	11.8	15.4	15.1
Nurses	6.1	18.4	61.9	98.6	157	208
Midwives	6.3	6.9	9.2	11.6	16.1	24

Source: Polish General Statistics Agency.

The recommodification of labour and resulting surge in labour deactivation meant that a number of new social benefits were created and/or expanded. Therefore, contrary to many expectations, social spending initially rose significantly, through an increase in payments to the growing part of the population that found itself outside of productive employment. These benefits were often created in an unequal manner that sometimes reflected inequalities existent during Communism and the previous accumulation of political capital. Only around 16% of all the unemployed in Poland receive any unemployment benefit, which is set at an amount below the relative poverty line. One result of this low availability of unemployment benefit, was the emergence of a large group of deactivated labourers living on sickness benefits, which peaked at 3.5m people in 2000. Simultaneously, the number of pensioners continued to grow (increasing from 4.6m in 2000 to 6.4m in 2010). Presently, pensioners receive a relatively high level of benefits, thus cushioning this deactivated labour group from the worst effects of poverty. Certain social groups have also maintained the right from Communism to retire early and/or receive relatively high pensions. Early retirement had been granted during Communism to some groups of workers (e.g. miners, teachers, police officers and soldiers) either due to the strenuous of their work; as a means of differentiating workers whose salaries were relatively equal; and/or maintaining political compliance.

Whilst pensions was an example of political capital being transferred into public capital during the transition, other social groups who had been denied social protection during Communism were afforded new benefits in the early transition period. This was the case with farmers, who had been excluded from many aspects of the welfare system during Communism as they were not integrated into the state productive sector. Once the transition to capitalism had begun, so this social group found itself with no social protection, whilst also suffering economically from the removal of price subsidies. From 1990 an Agricultural

<sup>6</sup> The concept of defamilialisation has been deployed in order to determine to what extent a state's family policy influences intra-family dependencies. It has often focused on the provision and availability of care services provided by the state. (Szelewa and Polakowski 2008)

Social Insurance Fund (KRUS) was created, with private farmers paying a lower rate of social insurance and gaining access to such things as future state pensions and free health care.

### Inherited Public Services

The second feature of the Polish welfare state, that can be understood using the public capital framework, is the public services that were passed over from the Communist period.

Whilst there had been relative social acquiescence over the transformation of the productive sector at the beginning of the transition, there was no such agreement that these public services should also be dismantled or privatised. In fact, written into the new constitution (adopted in 1997), were a whole series of universal social rights. These included that health should be provided by public funds to all citizens regardless of their material situation; that free state education is guaranteed to all up to 18 years of age; and that public authorities introduce policies that guarantee the housing needs of citizens.

We can get an idea of this situation by examining the public health service, where public (both physical and human) capital actually increased during the early transition period. *Table Two* shows how the number of hospitals (both public and private) grew during the first 10 years of the transition and that the number of nurses and doctors also rose during the few years after the collapse of communism. However, thereafter this public capital began to erode, with the number of public hospitals decreasing from 702 in 2000 to just 501 in 2011; the number of doctors declining by around 9,000 and nurses by over 30,000 between 1995 and 2011. The subsequent growth in alternative private capital in the health service was not enough to compensate for this deterioration in public capital. For example, although between 1990 and 2011 313 private hospitals were built, this only added 28,518 new beds for patients, whilst 37,954 were lost in the public sector. This resulted in the total number of beds per 100,000 patients declining from 57.2 in 1990 to 46.9 in 2011.

Table 2

#### Employment, Activity and Unemployment Rates by Gender

	1995	2000	2005	2011
<i>Employment Rate</i>				
General	50.7	47.4	45.2	48.5
Men	58.5	55.2	58.5	55.6
Women	43.7	40.3	43.2	42.04
<i>Activity Rate</i>				
General	58.4	56.4	55.1	55.8
Men	66.5	64.3	62.8	62.9
Women	51.1	49.2	47.7	48.0
<i>Unemployment Rate</i>				
General	14.9	15.5	17.6	12.0
Men	13.6	14.2	16.6	11.6
Women	16.0	18.1	19.1	12.5

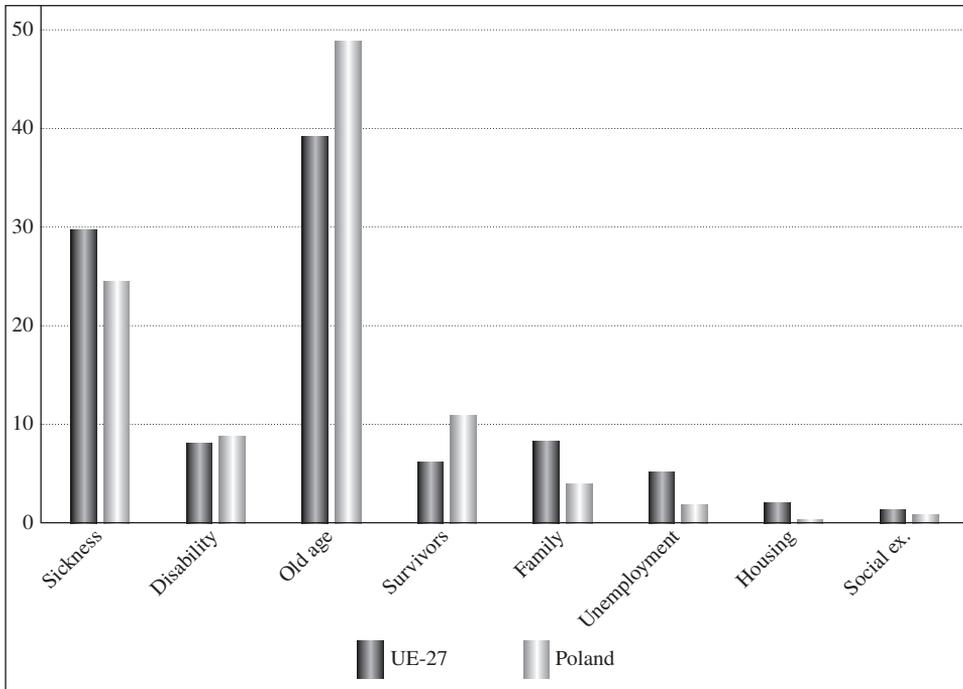
Source: Polish General Statistics Agency.

### Income, Expenditure and Debt

The increase in social benefits and maintenance of many public services has meant that public expenditure has remained relatively high, ensuring that in relative terms government expenditures in Poland are at a similar level to those in Western Europe.

The level of government expenditure in Poland is slightly above the EU average, standing at around 49% of GDP. However, Poland’s GDP per capita is over than 30% less than the EU average and is the sixth lowest out of all the member states, meaning it spends far less than the majority of EU countries in absolute terms. (Eurostat 2013) Out of its overall expenditures, the Polish government allocates 16.4% on social protection, below the EU average of 20.1%. *Figure One* shows how this social expenditure is distributed in Poland, in relation to the EU average. Social expenditures in Poland are distributed in a similar way to that in the rest of the EU, although there are a couple of important differences. Most obvious is the large relatively large share of expenditures that is allocated to pensions and in turn the low amount that is spent on unemployment benefits. Also, we can see how health care spending is significantly below the EU average.

Figure 1  
Social Spending (% of total)



Source: Eurostat.

The large deactivation of labour after the transition to capitalism, also ensured that government income has been depressed, due to the low number of people paying taxes.

The Polish taxation system is defined by its high level of indirect taxation; a low business tax rate and a low level of progressive redistributive personal income taxation. *Table Three* compares the Polish taxation system to that in Western Europe (EU15) and neighbouring countries in CEE (EU10) in 2012. In general terms the income and corporation tax rates are far higher in Western Europe than in CEE, whilst VAT is slightly lower in Western Europe. Furthermore, the highest rates of income tax are found in Western European countries and the lowest rates paid in CEE countries, a trend which is reversed for VAT. As we can see, the Polish taxation system is close to other CEE states; and although its top rate of income tax is relatively high compared to some other countries in the region only a very small percentage of tax payers enter this band.

Table 3

**Public Hospitals and Health Workers in Poland 1990–2011**

	1990	1995	2000	2005	2011
Public Hospitals	677	696	702	686	501
Doctors	81,641	89,421	85,031	76,046	80,358
Nurses	207,767	211,603	189,632	178,790	186,566

Source: Polish Statistics Agency.

Table 4

**Top Statutory Income Tax Rates and Standard VAT Rates (%)**

	Personal Income Tax	Corporation Income Tax	VAT
EU15 Average	49	28	21
EU10 Average	21	17	22
Poland	32	19	23
Highest	<i>Sweden:</i> 56.6	<i>France:</i> 36.1	<i>Hungary:</i> 27
Lowest	<i>Bulgaria:</i> 10	<i>Bulgaria:</i> 10	<i>Luxemburg:</i> 15

Source: Eurostat.

One way in which the government was able to boost its expenditure was by selling off large parts of its inherited productive public capital. The amount of money derived from privatisations was relatively small during the first few years of the transition. However, the slowdown in economic growth and resulting growth in social expenditures, at the end of the 1990s, worsened the state of public finances that was initially controlled through harnessing the proceeds gained from privatisations. Therefore, up to and including 2000, the budget deficit was maintained at around just 2% of GDP, despite worsening economic conditions. However, by 2002 this had more than doubled to over 5% of GDP, as revenue from privatisations slumped from more than 27bn zloty to less than 3bn zloty in just two years. Also, the economic slowdown following the global economic crisis brought with it a large increase in public debt, growing as a percentage of GDP in Poland by around 10% between 2008 and 2012. This was partly controlled by the government selling off

some of the remaining parts of its productive public capital through increasing the speed of privatisations. We can therefore see how there is an interrelationship between the different forms of public capital. The initial decline in productive public capital leads to a rise in unemployment, which alongside the maintenance of many public services means that the government spends a relatively high proportion of its GDP on social expenditures. With Poland retaining a regressive taxation system, government spending is then partly funded through further waves of privatisations. This is a temporary solution however, as state assets can only be sold once.

### **Commodification and Countermovement**

From the turn of the century a process of liberalising and privatising public welfare capital began in an attempt to reign in public expenditures and open up public fields to private capital and competition. This was encompassed in a set of reforms introduced by the government in 1999, which included pensions, the health service and education. The most far-reaching of these reforms was in the field of pensions, whilst the reforms of health and education were limited in their scope but opened up a process of ‘creeping privatisation’ within these fields. (Sześciło 2014) This means that rather than introducing a ‘shock-therapy’ style reform of a public field, mechanisms are set in place that guarantee the gradual and incremental commodification and enlargement of private capital within it.

Therefore, the government introduced a new system of funding in the health service, as separate health funds were created with the aim of improving the effectiveness of expenditures and implementing market competition into the health system. Also in the field of education, a process of decentralising the education system was begun, with responsibility for the running of public schools passed over to local governments. This opened up the education system to further liberalisation and commercialisation. In contrast, a radical reform of the pension system was implemented, by introducing a compulsory second private pension pillar. Future pensioners had to pay part of their income to private pension funds, which were then partly invested on the stock market.

All of these reforms have been limited in their success. The gradual commercialisation of health care has left it with two main problems. Firstly, is one of underfunding, meaning that it is increasingly difficult to deliver a quality service. Secondly, due to these inadequacies, a growing section of society opts out of the public health care system and uses private health care. The commodification of the health service has been relatively advanced in the health service (including the commercialisation of some hospitals) partly because of the lack of a coordinated countermovement by health care workers, whose trade unions are relatively weak and divided. (Kubisa 2019) In the field of education the process of commodification is less advanced. Despite the growth of private education and inadequate provision of public preschools, education exists as a universal public service guaranteed to all children of school age. There is also a strong network of public higher education institutions, offering free education. Public capital has been relatively better maintained because of a strong countermovement to the commodification of education through relatively strong and united trade unions which protect a number of rights (political capital) guaranteed in the

‘teachers card’ inherited from Communism.<sup>7</sup> Nevertheless, reforms have been introduced into the field of education that are gradually introducing elements of commodification into the system and increasing the role of private capital.

The situation in the field of pensions is different. Pensions remain the most developed form of social benefit in Poland and the comprehensive and redistributive nature of these pensions has ensured that poverty amongst the elderly is lower than within other age groups. Some privileged pension rights have also been retained by certain labour groups, who often held the greatest political capital during Communism. However, rather than lessening the financial burden on the government, the reform at the end of the 1990s actually led to an increase in government debt as the government had to keep paying the state pensions of current pensioners whilst transferring money to the private pension funds.<sup>8</sup> In light of the global economic crisis, the government decided to reverse this reform and bring back a large share of the money previously transferred to the private pension funds back into the public purse. In turn it has sought to reduce the number of people that are able to retire and receive public pensions, for example by raising the pension age and cancelling the privileged pension rights for some labour groups. Forecasts show public pensions are depreciating in value and that inequalities and poverty amongst pensioners are growing. (ASIP 2012) This steady devaluation of public pensions encourages those who can afford it to invest in private pensions, which potentially undermines the social contract upholding a universal state pension system.

### Conclusions

The concept of public capital can be deployed in order to understand the contemporary welfare state. Capital is not only an economic construct but is also embedded within society. This paper has extended the theory of capital deployed by Bourdieu, which sees capital as having multiple forms, and combines it with the theories of the double movement developed by Polanyi and later extended by social scientists such as Esping-Andersen. I argue that the welfare state was constructed through a countermovement in society that created areas of socio-economic life that were pushed out of the field of commodity exchange. However, in the post-Communist states this takes on a different form as the state dominated almost all areas of the economy and society during Communism. This included the policy

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<sup>7</sup> This is an agreement made between the government and teachers’ union in 1982, which regulates regulates such things as teachers’ salaries and employment conditions.

<sup>8</sup> Some advocates of the private pension reforms have argued that the growth in public debt is not due to the private pension reform but because of ‘hidden’ debt within the public pension system itself. Furthermore, it is claimed, any debt derived from the transfer of resources to the Private Pension Funds has been caused by the failure of successive governments to privatise enough assets inherited from the Communist system. For example, Richard Petru (a former adviser to Balcerowicz who helped to draw up the pension reforms introduced in 1999) has stated that the instigators of the reform had estimated that the worth of state property that could potentially be privatised would have been enough to pay for the debt caused by payments to the Private Pension Funds. (Petru 2010) Therefore, reformers wished to transfer funds gained from selling off a section of public capital to the Private Pension Funds, which in turn would help strengthen private capital through developing the country’s financial markets. This was therefore an attempt to *financialise* a section of public capital, through turning public assets into financial instruments.

of full-employment and the distribution of many benefits and services through state-owned companies.

Through an analysis of the situation in Poland we have seen how the dismantling of this state owned economy led to a large deactivation of labour and the dismantling of the former system of welfare. In turn this actually meant that many benefits and services were extended during the initial transition period. Therefore the creation of new welfare benefits was directly related to the erosion of previous public capital. Furthermore, access to many social benefits remains connected to the previous accumulation of political capital, which helps to explain some of the specificities and incongruities of Poland's welfare state. The other major feature of the Polish welfare state is the continuing existence of large public services, such as health. This capital remains situated within the physical buildings, equipment and institutions of these services and are also socially embedded within employees and their users.

The maintenance of this public capital places financial pressure on the Polish state, particularly as the deactivation of labour demands large social spending and in turn reduces government income. These difficulties were partly overcome through the privatisation of parts of the productive public capital. Thereafter, there has been an attempt to commodify parts of the country's public services, e.g. through the part privatisation of the health service. However, this is met both by a countermovement of those most closely related to this public capital and also by the economic and political difficulties connected to this task.

The public capital perspective is particularly suited to the post-Communist welfare states as it connects structures developed during Communism to those existent afterwards. It also shows how these are fixed within social structures and relations, which is connected to the social countermovement to the commodification of the welfare state. This paper looked at case study Poland, applying the public capital perspective to a welfare state during the post-Communist transition. I believe that the public capital perspective could provide a useful means for comparing different welfare state regimes, supplementing the institutional perspectives that are generally used in these studies.

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