

PRIVATISATION POTENTIAL IN THE TRANSPORT SECTOR IN POLAND

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1. INTRODUCTION

Eastern Europe is undergoing a stressful and often painful process of radical change. The old social and economic structures have almost disappeared in Poland, Hungary and Czecho-Slovakia, they are beginning to get dismantled in Bulgaria, Romania in the newly re-established Baltic states of Lithuania, Latvia and Estonia, as well as in the remaining parts of the former Soviet Union. The fall of the Berlin Wall and the unification of Germany led to dramatic adjustment processes in the heart of the European continent.

In this paper we offer some provisional insights on the dimensions of the probable consequences of these transformations in Eastern Europe for the economies of the directly concerned countries, especially with respect to the transportation sector. Most of the arguments are relevant today mainly for Poland, Hungary and the CSFR, but we expect that the problems and changes in the rest of the former Soviet Block will show great similarities.

It should be emphasised that what we discuss below is based on an optimistic view of the future. In particular, we disregard the possibility (which is unfortunately a rather high one) of massive social and economic upheavals in Eastern Europe. We assume that no explosion of rage and no armed, massive conflicts will break out, and consequently we abstract from the horror visions of dozens of millions of refugees, roaming through Europe in search of bread and security. We hope that our optimism is justified, and anyway, if it is not, no sensible reflections on the economic and spatial development in the future Europe is at all possible.

Table 1 shows some important economic indicators for the Eastern European economies and some comparisons for Western Europe. It can be seen that the gap in GDPs between the two parts of the European continent has indeed become very large. Household consumption recorded an even stronger divergence over the last decade. Because of the well known problems of cross-country comparisons of GDPs between the Western and Eastern European economies, the figures in the tables should be considered as very rough approximations only.

Table 1: Indicators for East Europe

	Bulgaria	Poland	Rumania	USSR	CSFR	Hungary	GDR	OECD
Population (Mill.)	9	38	23	286,4	15,6	10,6	16,6	824,8
GDP (Bill. US-\$)	50,7	207,2	94,7	1590	118,6	68,8	155,4	12073
GDP per capita (US-\$)	5633	5453	4117	5552	7603	6491	9361	14637

Source: OECD-Statistics

2. TRANSFORMATION OF ECONOMIC SYSTEMS: MAIN ISSUES

In the past reform efforts in Eastern Europe aimed at the improvement of the functioning of the centrally planned economies. The declared aim of the present reform programmes is the complete transformation from Marx to Market. The experiences gathered within the last two years in Poland, Hungary and Czecho-Slovakia provide ample evidence how hard it is to change the economic system and especially the ways in which people think and behave as economic actors.

In a planned economy of the Soviet type, money, prices, costs, interest rates and microeconomic calculus played a very minor role (see Kornai, 1980, 1982, Kowalski, 1983, 1987, Funck, Kowalski, 1987, 1989). These monetary quantities were of course considered in theory but not as a basis of real behaviour of economic units. The behaviour of enterprises was influenced primarily by the existence of soft budgets, permitting enterprises to disregard the financial side of their activities and consequently also the markets for their output. All reform programmes currently executed in Eastern Europe are directed toward the hardening of these budget constraints, and thus also toward changing the ways in which economic actors perceive the role of money and money-based variables in the functioning of the economy.

What are the necessary elements of the reform packages aiming at the transformation from Marx to the market?

a) Privatisation. An efficient market economy with hard budget constraints calls for an elimination of the predominance of state ownership of fixed assets, the formulation of bankruptcy laws and the establishment of stock exchange activities. This latter issue is probably the single most important one in all reform programmes in the post-communist Europe and one which promises to be burdened with numerous obstacles (see Lipton, Sachs, 1991, Milanovic, 1991 and Kowalski 1990 on these issues).

b) Elimination of the planning apparatus and institutions administering the traditional economic system. Experience from the early reform countries of the region (Poland, Hungary, the CSFR) shows that, despite massive resistance from the employees of these institutions, it should not be too difficult to implement this element of reforms.

c) Introduction of convertibility of currencies connected with the reform of the price system, based on market mechanisms.

d) Establishment of a private banking system. Recent experiences in Poland and elsewhere show that the lack of an efficient system for the execution of payments can be a major bottleneck on the way to a market economy.

e) Introduction of a tax system concomittant with the market economy.

f) Reforms of the laws governing activities of foreign capital and of the regulations with respect to foreign trade.

A glance at the above list of preconditions of success of economic reforms shows that the elements are parts of an interrelated system and must be coped with simultaneously. Experiences gained during the first two years of implementation of the reform programmes point to the deep barriers that exist on the way to a market economic system, stemming mainly from the ways of behaviour implanted in economic actors during the long decades of the prevalence of a Soviet type economy, and from the lack of existence of the institutional and legal frameworks that form the organic fabric of market economies in the West (see Kowalski 1991a).

It should be stressed that these psychological, mental barriers and the lack of experience with market-economy institutions and rules of behaviour seem to be of utmost importance even in such relatively well informed Eastern European societies as the Polish, Hungarian or the Czecho-Slovak ones. Obviously, the situation in this respect in the Soviet Union, in Rumania or Bulgaria, that is in countries which had, for a long time, remained

much more insulated and ideologically indoctrinated, is even more complicated.

3. PRIVATISATION OF THE ECONOMY: SOME COMMON PROBLEMS IN ALL POST-COMMUNIST COUNTRIES

It has been mentioned above that privatisation of the economy is probably the most important, and the most complicated of the tasks facing the reformers in Eastern Europe. The whole privatisation concept encompasses three elements:

- small privatisation,
- big privatisation and
- reprivatisation.

As a small privatisation the transfer of ownership of small enterprises from the state (or regional or local) authorities to the private person or persons is meant. In practice the businesses in question are small shops, garages, handicrafts, pharmacies and the like. Although the small privatisation leads often to various conflicts (for example between the "old", pre-communist owners and the present employees and managers) on the whole the experiences with this kind of privatisation are fairly optimistic. Most of the retail trade, catering, tourist related services, small handicraft etc. has been already successfully privatised in Hungary, Poland and CSFR. This positive development is accompanied by reprivatisation (giving back of small businesses to their former owners, who had been expropriated by the communists) and by establishments of numerous small new businesses, especially in services (for example in Poland 1,3 Million of new small enterprises have been established since January 1991). Surprisingly, also the privatisation of printing, newspapers and other printed media has been almost totally implemented in the first two years of economic reforms in Poland, Hungary and Czecho-Slovakia. The buyers of these media were either groups of journalists from the concerned newspapers, political parties or the foreign media conglomerates (Bärtlesmann, Maxwell and Murdoch invested heavily in Hungary, Hersant is the largest printed media owner in Poland). Probably due to the negative experiences with the media gathered during the communist era, the privatisation of newspapers and creation of a multi-directional media landscape have been given top priority. But, it should be noted that the privatisation processes with respect to the most effective communication medium, television, have not moved beyond the discussion stage.

The real and perhaps insurmountable problems arise in the process of big privatisation, i.e. transferring of ownership of the large (mainly industrial) enterprises. These enterprises dominated in terms of productive capacities in the CPEs, they were and remain enormously inefficient and burdened with extremely high overhead costs, they also cause huge environmental problems. Also the privatisation of the large state transportation enterprises, like the railways, airlines and the centralised passenger and cargo road carriers belong to the sphere of large privatisation.

In the last two years it has become clear that the **big** privatisation is also a **big** issue. In the remaining part of this section we shall concentrate therefore on the questions concerning this kind of privatisation. The issues which are going to be briefly discussed are:

- 3.1. why should the big privatisation be accomplished?
- 3.2. how should it be accomplished?
- 3.3. what are the main problems which arise in the course of privatisation?

3.1. Why should the Eastern Europeans privatise?

Firstly, privatisation is justified in the economic and political discourse by ideological arguments: as the state ownership of the means of production was considered a precondition for the existence of the planned socialist economy so is the private ownership postulated to constitute the fundament of the market economy. The scale of the problem is shown in Table 2, which provides data on the share of the state owned manufacturing enterprises in various countries.

Table 2: Importance of state sector and public corporations in different countries (in percent of total value added)

Czechoslovakia (1986)	97,0
East Germany (1982)	96,5
Soviet Union (1985)	96,0
Poland (1985)	81,7
China (1984)	73,6
Hungary (1984)	65,2
<i>Unweighted average</i>	<i>85,0</i>
France (1982)	16,5
Austria (1978-79)	14,5
Italy (1982)	14,0
New Zealand (1987)	12,0
Turkey (1985)	11,2
West Germany (1982)	10,7
United Kingdom (1983)	10,7
Portugal (1976)	9,7
Australia (1978-79)	9,4
Denmark (1974)	6,3
Greece (1979)	6,1
Spain (1979)	4,1
Netherlands (1971-73)	3,6
United States (1983)	1,3
<i>Unweighted average</i>	<i>9,3</i>

Source: B. Milanovic (1989), pp. 15, 20.

It can be noticed that the distance between the Western and Eastern European economies is very large in this respect, even in case of Hungary, which started to transfer ownership into private hands earlier than the other COMECON countries. Market economy, which is the aim of reforms, must be dominated by private economic units. Otherwise the market mechanisms cannot really function.

In this context privatisation, and especially the big privatisation, is seen as an element of a comprehensive systemic change. The discussion in Eastern Europe on these issues is influenced by the concepts originating from the German-speaking "ordo-liberal" economic literature on "Wirtschaftsordnung", i.e. economic order, connected with such names as

Walter Eucken, Ludwig Erhard, and many others. In this research and practical economic policy paradigm the economic system is conceived as an organic whole, whose elements supplement each other and must fit together

Another argument brought forward in the discussion of the necessity for privatisation concerns the question of the hardening of budget constraints. This point has been elaborated above. Briefly, it is argued that only in case of private enterprises the budget constraints are really hard. Even in the capitalist economies, examples abound of the state enterprises being saved from bankruptcy by tax-payers' money. Making enterprises private ensures (albeit not always) that the budget constraints are no longer soft. Thus, privatisation is postulated to contribute to increase in the X-, A-, and Q- efficiency of the hitherto wasteful state enterprises.

Additional reason for privatisation is seen in the financial difficulties facing the post-communist governments in Eastern Europe. First, they experience enormous deficits (as a rule inherited from the past) of the central budgets, mainly due to subsidies to enterprises and to costs of food staples. Secondly because of the shortages of the consumer goods, the population, despite the overall economic misery, accumulated large unwanted, forced savings. (inflationary overhang). Additionally, in the CPEs the main source of the central budget revenues were direct taxes of enterprises. Not surprisingly in the transition phase the payments of the state enterprises decline. The establishment of new tax systems based on more indirect taxes and direct taxation of personal incomes takes time. Selling some of the large state enterprises is hoped to help in the solution of the budgetary problems.

Finally, the privatisation of the large industrial enterprises is seen as a comfortable way out of a political predicament in which the post-communist governments find themselves nowadays. They are on the one hand the owners of the enterprises, i.e. employers. On the other hand these governments rely politically on the working masses, in particular on the political support of the unions. Remembering that in the transition phase the standard of living generally stagnates and that the establishment of the efficient market economy must result in redundancies, it is obvious that the governments are placed in a precarious position. This conflict between the role of government as owner and representative of capital on the one and as representative of the working people on the other hand is especially acute in Poland, but it is felt all over Eastern Europe. This is especially true in the case of the large part of the employee of the transportation sector, who are accustomed to be considered as state officials. Thus, the governments want to get rid of their responsibility as "capitalists" and transfer the problem of the wage and work-conditions bargaining to the newly established private employers organisations and the unions.

3.2. How to privatise?

It should be stressed in this place that the task of the reformers in Eastern Europe is without precedence in its scope and dimensions. Privatisation in a possibly short period of time of almost the whole economy was never before implemented. Experiences gathered in Britain, France or elsewhere are of limited relevance. Privatising a small number of enterprises in the established functioning market economy (as was the case of recent privatisations in Western Europe) is much easier and poses less problems than the transformation undertaken in Eastern Europe, where the whole institutional, legal, even psychological basis for privatisation is lacking.

Various approaches to the implementation of the privatisation process are discussed and experimented with in Eastern Europe. Generalising we can say that four basic variants can be distinguished:

- "Quasi-Yugoslav" approach: workers participation
- Participation of all citizens
- Participation of the "nomenclature"
- Participation of all economic actors.

In the first approach the employees of the privatised enterprises (white and blue collar) receive either free of charge or for a small payment the shares in "their" enterprise. Most of the economists warn against this kind of privatisation, quoting negative experiences of the labour-owned and managed enterprises, but agree that a part (say 20%) of the shares of the enterprises should be sold or given to the employees in order to generate their support for the transformation of the enterprise. The trade unions in Eastern Europe support, not surprisingly, this privatisation model.

The second approach foresees that all the adult citizens of a country should obtain the right either to get or to buy some shares in the privatised enterprises. A subvariant of this scheme consists in the distribution of vouchers for which shares can be bought instead of distribution of shares themselves.

The participation of "nomenclature" in the privatisation is discussed as a way to overcome the resistance of the influential power groups against the political and economic changes. It is also emphasised that the nomenclature people are often the only ones with expertise and financial means to take over some enterprises. The unions and the vast majority of the population in Eastern Europe are strongly opposed to what they see as an attempt to create a capitalist class out of the former communist apparatchicks. In practice many instances are known of enterprises, medium and small, which have already been taken over by the local nomenclature bosses.

Finally the privatisation variant is also discussed in which all economic actors, regardless of their nationality or institutional form could buy shares of the privatised enterprises. As is often the case, this economically the most rational project has the weakest chances of being adopted in Eastern Europe.

The programmes which are being implemented at present in Poland, Hungary and Czecho-Slovakia are a mixture of the above sketched privatisation schemes. The Czech model stresses the direct sale of shares to the citizens and of the whole enterprises to the Western investors, the Polish one emphasises the voucher approach and is the mixture of the workers and citizens participation, reserving simultaneously certain percentage of shares for the government and for sale for foreigners. The particularity of the Polish model consists in the planned establishment of about a dozen of holdings which will own the shares of the privatised enterprises. The citizens themselves will own shares in the holdings. In this way the problem of the lacking expertise in stock exchange processes and mechanisms by the population is hoped to be solved. The privatisation of about 400 (or in some government variants about 230) largest enterprises within the next two years is planned (as far as we know none of them in the transport sector)

The Hungarians try to remain close to the fourth approach to privatisation, i.e. sale of enterprises and shares to the highest bidders regardless of origin. The aim of the Hungarian government is to avoid the distribution of ownership free of charge. It remains to be seen if this approach, which is basically a healthy one, will not result in a very slow pace of privatisation.

3.3. What special problems did arise during the first stages of privatisation?

Privatisation programmes proved to be much more difficult to implement and proceed much slower than it was expected. Everything connected with ownership, wealth and

consequently with power awakes strong emotions and passionate actions. Apart from this understandable fact, several technical problems slowed down privatisation efforts:

3.3.1. The rationale for privatisation as such is sometimes questioned.

At the outset of the transition phase in the three reform countries there have been an almost universal agreement in the academic and business circles that privatisation should be implemented with the highest priority. This unanimity of opinion no longer exists. Conflicts between various groups in society and implementation problems led some academics and politicians to question the whole concept. The arguments can be exemplified by the statements of Jan Vanous of the Planecon Inc. from Washington, during the World Bank Annual Conference on Development Economics in Washington on 25 - 26 April 1991. He maintained that changes of ownership were not really important in cases of the inefficient large state enterprises. The flow of new capital i.e. the modernisation of the production capacities and establishment of new enterprises is according to Vanous the key problem (quoted from the IMF Survey, May 27th., 1991, p.171). Indeed, despite all the arguments about the necessity of creating the private base of the market economy, the pace of the big privatisation was so slow (see below) in the last two years and the political pressures not to close down all of these large state-owned enterprises which should be eliminated from the strictly economic point of view so strong, that it is unavoidable that the large industrial state sector will continue to exist at least for ten years to come.

Interestingly, the newcomers to the reform countries club, like the Baltic states and the Russian Republic, present radical, far reaching privatisation schemes as the starting point for their reform packages. It will probably take about two years till the conceptual and practical implementation problems will sober the understandable privatisation enthusiasm of the reformers there.

3.3.2. The speed of the privatisation process is discussed.

In all three reform countries and in particular in Poland, the "case by case approach" to big privatisation dominated in the first stage of the transformation. Carefully selected large enterprises were offered to the general public, institutional domestic investors, foreign investors and to the employees of the enterprises. The offer was always preceded by a detailed evaluation of the enterprise value and prospects, performed by a western (in the Polish cases mainly British) consulting firm or a bank. Apart from the considerable costs of such a privatisation procedure (which as a rule have been covered up till now from the Western reform-support programmes) an extremely slow pace of privatisation resulted from this approach. For example 1990 only five and in the first half of 1991 only three enterprises were privatised in this manner in Poland. Due to these experiences the question of the acceleration of the privatisation process looms as one of the acute issues at present. Even the most enthusiastic adherents of the privatisation idea, like Prof. Jeffrey Sachs of the Harvard University, emphasise that if the implementation of the privatisation of the larger part of the productive assets within the next two years fails, then the whole undertaking may be forgotten (quoted from the IMF-Survey, May 27th, 1991, p. 169), because the whole reform process will not be able to accomplish its aims. The privatisation programmes proclaimed in Summer 1991 in the three reform countries (see above) prove that the responsible decision-makers are aware of the importance of the pace of privatisation for the whole reform package.

3.3.3. Evaluation of enterprises proved to be an extremely complicated task.

Because in the past the price system and subsidies distorted the economic calculus nobody knows what was the real worth of the enterprises in the past. Obviously at present it is more the **future market potential and not the past functioning** which determines the value of firms. But, as we know, the evaluation of the future market potential is a very risky business even in the established market economies. In the volatile, changing economic, social and political context of Eastern Europe it becomes an almost impossible undertaking.

3.3.4. The problem of property rights.

Lipton and Sachs (1991) note that the hazy situation with respect to the property rights in Eastern Europe complicates significantly the privatisation efforts. Paradoxically, this situation results from the decay and desintegration phenomena visible in the last decade of the existence of the "classic" CPEs. During the partial reform efforts of the Seventies and Eighties ownership patterns were created in the large enterprises, which were much more complicated than the simple state ownership assumed in the theoretical literature on the CPEs. (see Kowalski 1983, Winiecki 1988)

Today the starting point for the privatisation of the large enterprises is often characterised by a power play within a triangle of interests:

- the state represented by the branch ministry,
- the managements of enterprises, i.e. managers who have become increasingly independent from the ministries, and
- employees, represented by the enterprise councils and the trade unions, which also gained in power and decision-making competences during the last decade.

All the three components of the power triangle of the enterprise put forward claims to ownership of some parts of the enterprise's wealth, which of course slows down the privatisation process considerably. Additionally, the former owners claim their property, which complicates not only the small but also the big privatisation in all the three reform countries. The practical solution chosen till now provide the former owners only with the right to obtain a relatively modest compensation in form of shares or money.

3.3.5. The question of "effective ownership"

Experiences with already implemented privatisations show that often the entrepreneurial mechanisms and "effective ownership", i.e. control of management and efficiency are very weak, especially in the case of privatisation schemes resulting in a very atomized ownership by many small share-holders. Current privatisation schemes aim therefore at the establishment of "controlling" share-holders who would own a considerable part of the enterprise.

3.3.6. The principal-agent problem

In all the reform countries in Eastern Europe it has been assumed as obvious that the privatisation per se leads to increased efficiency of functioning of enterprises and to frictionless coordination, control and allocation. That the real life situations are more complicated is well known from the existing market economies. The complications connected with the confused property rights have been already mentioned above. Additionally the still unresolved question is how to privatise enterprises which are monopolists or near monopolists in their products. The CPEs were dominated by

monopolistic producers in many sectors. Privatising them leads of course to the creation of private monopolists. The regulation of such monopolies is an unknown field in Eastern Europe (and not a very successful one in the West either). Most of the issues connected with the controlling of agents by principals, be it by state or private share-owners, are also virtually unknown.

The one possible way out of this problem could again consist in the opening of the economies of the Eastern European countries to the foreign, Western competition and investment and learning from their experience.

It should be noted that the evidence linking ownership change to increases in efficiency is mixed (see Boardman and Vining 1989, Vickers and Yarrow, 1988 and Vickers and Yarrow 1991 for reviews) Some studies indicate that privatisation resulted in increased efficiency (for example in the case of the Canadian railways), others link increased efficiency to increased competition and rivalry, and maintain that publicly owned enterprises match the private ones in efficiency when put into an competitive environment.. Nevertheless Vickers and Yarrow conclude that that the evidence suggests that in competitive industries (which should be aimed at anyway) private ownership is generally (though not universally) preferable on efficiency grounds.

3.3.7. Closure of unrentable enterprises

It is still very hard for the governments of the reforming countries to close down the unprofitable enterprises, which cannot be privatised. It should be remembered that according to most experts this could involve the majority of the existing enterprises. The political and social pressures not to do so are enormous and understandable. In consequence it seems very plausible to predict that even in the most optimistic scenario of the privatisation process the state owned industrial enterprises will continue to play a major role in the economies of the countries in the region for many years to come. This is probably especially true in the case of the national transportation companies.. Also in this respect the issues and Western experiences of controlling and regulating them so that they become less inefficient than before will gain in importance.

4. PRESENT SITUATION AND PROSPECTS FOR PRIVATISATION IN THE TRANSPORTATION SECTOR IN POLAND

Many authors , especially those who devote themselves exclusively to transportation research, maintain that the transport sector was and remains the most backward sector of the total Polish economy. It is held that the reason for the sorry state of this sector was the insufficient level of investment expenditures for transport as compared to industry.

It could however be argued, that the situation of the transportation sector was no better and no worse than of the other sectors of the economy (Funck, Kowalski 1987, 1989). The underdevelopment of the transportation sector reflected the overall underdevelopment, experienced in all parts of the economy since the middle 70's. At present two phenomena can be observed, one of which increases, and the other decreases tensions in the transportation sector. On the one hand the volume and share of investments in transports declined as compared with the other sectors of the economy.. On the other hand, due to the hardening of budget constraints of enterprises as a result of the reforms started in January 1990, the demand for transport services declined considerably for all segments of this sector. This means that despite the economic decline and reduced investment levels, the pressure on the transportation sector decreased as compared with the past.

In the optimistic scenario of future economic development, assumed in this

contribution, we expect that by the year 2010 Poland will reach approximately the standard of living levels of the Federal Republic of Germany in 1988 (see Kowalski 1991b and Kessel, Rothengatter et al. 1990). (see Table 3) Presumably this development level will induce comparable transportation demand to that characteristic for West Germany in 1988. This implies steep growth rates in individual mobility and motorisation levels, and less pronounced (due to increased efficiency in the market economy conditions) increases in goods transportation volumes. Obviously increased transportation flows call for new investments in the transportation infrastructure networks.

Table 3: GDP in selected Eastern European Countries

			Poland	CSFR	Hungary	USSR	Bulgaria
GDP	1988	total	157413	100169	64642	1588020	49577
		Sector I	18390	5723	12578	364945	4508
		Sector II	75817	56234	20605	619689	32962
		III	63206	38212	31459	603386	12107
	2000	total	184200	126654	82884	1731990	56344
		Sector I	19942	6404	13690	381580	4774
		Sector II	85558	67888	25008	654718	36187
		III	78692	52359	44184	695687	15382
	2010	total	256604	184862	119373	2152366	76646
		Sector I	24115	7896	15917	430523	5575
		Sector II	111623	93411	33818	756269	45863
		III	120866	83556	69638	965574	25207

Source: Jan Kowalski, 1991

4.1. Privatisation of infrastructure versus privatisation of transportation enterprises.

Experiences from Western Europe point to a rather limited potential for privatisation of the transportation infrastructure in the reforming countries of Eastern Europe. There are some examples of privately built and operated highways, railways, bridges, tunnels, airports and seaports, but on the whole the share of the privately constructed and run infrastructure is very low. The time-horizons of the private transportation infrastructure projects are as a rule very long, profitability very often doubtful.

Considering the fact that in Eastern Europe lack of private and public investment capital for all sort of projects is an acute problem at present, and that the purchasing power of the potential customers will remain relatively low for a long time, the prospects for the private construction of new and taking over of the existing infrastructure networks are very slim. In practice, the only way we can envisage private gauge and road networks, is through international financing of some projects by the IMF, World Bank and similar organisations and choosing the form of a private company for them. Of course various specific solutions are possible in such a case.

With respect to the transportation enterprises using the transportation infrastructure the privatisation potential is certainly higher, but different in various sectors. In Poland most of the shipping, haulage and dispatching companies have already been privatised, either through employees and management buy-outs, liquidation of the "old" firms, or through joint ventures with foreign capital. Also many new firms have been established. In sea-shipping even large formerly state companies were privatised, in the sense of having a charter of a

private company, but they are as a rule owned by various public institutions.

In the case of the Polish Railways, obviously the potential for privatisation is high in servicing parts of the enterprise (like catering), the privatisation of the whole railway company seems dubious in the short to medium period. The same applies to the Polish Airlines, where it is easy, and in part already being done, to privatise some elements of the firm, leaving however the bulk of the enterprise in the public hand. But it should be mentioned that the first privately owned small airline started operating in 1991.

In conclusion we are of the opinion that the most promising way to privatise national carrier companies is to change their status to the private company, but retaining the public ownership of the majority stake of shares. Even such a "minor" change can result in an economic behavior which will be more oriented towards profit, efficiency, or subsidy minimisation, than it is the case with the purely state companies.

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