

THE SOCIAL AND ECONOMIC EVOLUTION OF POLAND AND ROMANIA FOR THE LAST 100 YEARS

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Abstract:

In terms of size of territory and population, Poland and Romania are the largest former socialist countries, now, members of the European Union. In the last 25 years of transition to a market economy, Poland has excellently managed its natural potential and is, now, an economic model for other former socialist countries, including Romania. Poland has not experienced economic recession; its 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: „How could we explain the present success of Polish economy? 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 economic developments in Romania and Poland in relation to developed countries for the last about 100 years in terms of “path dependency theory” and will conduct a comparative analysis between the two countries.

Key words: *economic development, comparative analysis, Romania, Poland, dependency path*

JEL Code: *N10, E20*

1.Introduction

In the last 100 years, Romania and Poland have gone through similar experiences: the events of World War I, fulfilling the ideals of their nation, the events of the Second World War, the communist period, the collapse of communism and transition to a market economy, accession to the European Union. This paper aims at analyzing the social and economic evolution of Poland and Romania in the last 100 years and if the historical factors have contributed to the changes that have occurred in the last 25 years. The paper is structured as follows:

Chapter 1: A general view of Poland and Romania in the last 100 years

Chapter 2: Social and economic development of Poland and Romania in the period 1918-present

Conclusion

We conclude by accentuating on the peripheral character of both countries' development in the last 100 years (especially for Romania) and the positive social and economic experience of Poland in the last 25 years.

2. A general view of Poland and Romania during the last 100 years

2.1 Poland

By the coincidence of a number of favorable circumstances, Poland succeeded to regain its independence in November 1918, after 123 years from its partition in 1795 (the third part of the Polish-Lithuanian Union), when its territory was divided by neighboring empires Prussia, Austria and Russia.

In 1922, Poland had an area of 388,634 km², being the sixth European country in terms of its territory after USSR, France, Spain, Germany and Sweden, while the population in 1921 amounted to 27.2 million inhabitants (without Vilnius region and a part of Silesia- regions of inter-war Poland after 1922), with a lot of minorities and resulting 70.2 inhabitants/km² density. [14]

During the inter-war period, the population of Poland increased by about eight million people, meaning 34,848 million inhabitants at the end of 1938 and the density increased from 70.2 to 89.4 inhabitants/km². [15] The World War II brought dramatic changes on all levels.

After the war, Poland had an area of 312,679 km² representing approximately 80% of the interwar Poland (388,634km²). 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. [8] Thus, after the war, the percentage of minorities declined emphasized.

At present, Poland is the largest country as territory and population of the former socialist countries, now members of the EU.

Poland is situated in the center of the Europe, with an area of 312 679 square kilometers (ranked 71st in the world and 9th in Europe). According to the census of 2011, Poland had a population of 38.5 million inhabitants ranked, 34th in the world and 6th among EU member states and the most populated country among the former socialist countries, now EU members. [18]

1.2 Romania

Great Romania was the result of the efforts of Romanians for their unification in boundaries of natural, unitary, national, modern state, efforts by centuries, when important parts of their national territory were under occupation, administration and / or foreign influence.

Romania increased its area from 137,000 km² (before First World War) to 295.049 km², similar in area (but not as population) with England or Italy. The population of Romania increased from 7,897,311 inhabitants (before the war) to 16,267,177 inhabitants in 1918 and to 18,057,028 in 1930. [1] In terms of population structure, 71% were Romanians, 7.9% Hungarians, 4.4% Germans, 4% Jews, 3.2% Ruthenians and Ukrainians, 2.3% Russians, Bulgarians and 2% others. [1] Ethnic minorities were in all the provinces, especially in Transylvania, Bessarabia and Bukovina.

At the end of World War II, like other countries in Central and Eastern Europe, Romania fell into the Soviet zone of influence. 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. [16]

Romania is located in the geographical center of Europe, in the south-east of Central Europe with an area of 238,391 km² (ranked 83rd in the world and 12th in Europe). According to the census of 2011, Romania had a population of 20.1 million people ranked 58th in the world and 7th among EU member states and represents approximately a half of the population of Poland (52.2%). [17]

3. The social and economic development of Poland and Romania in the period 1918- present.

3.1 Interwar period

The social and economic development of Romania and Poland in the inter-war period was fuelled by an extraordinary effort of the people that tried to “burn” the stages incurred on the modernization path by the western countries. As a result, both countries ended up with an incomplete assimilation of certain fundamental aspects characterizing the societies of developed countries. [7]

The countries' political, economic and social modernization was to a great extent the result of a diffusion process of certain values and forms of institutional and economic organization from the West to Romania and Poland, as the genesis of the new institutions and new methods used to organize production were not determined, in the first place, by the existence of objective internal factors. At the end of the inter-war period, the societies of the two countries were still in a stage of economic and social polarization, far from the level of industrial civilization predominance that is based on diminishing of discrepancies and preponderance of middle classes in the economic life.

Taking into account the information regarding their natural, human and economically productive potential, Romania and Poland were situated in the interwar period among the first countries in Europe, but from the point of view of the economic and social development level, their status was fundamentally different compared to the potential status.

A first proof is provided by data regarding the national income per capita, which constitutes the measure of one country's economic development level (see Table 1).

As one may observe, of the 20 analyzed European countries, Romania, with a national income per capita of 76 dollars in 1938, was ranked 18th, after Poland, which was ranked 16th (with a national income per capita of 104 dollars), both of them were far from the developed countries, the only countries with a national income per capita closer to their incomes being Yugoslavia, Bulgaria, Greece and Hungary. Romania's national income was 3.75 times lower than the Belgium's, and even if we compare it to Czechoslovakia, the gap was higher than 1:2. Romania was

slightly after Poland and it was only placed on a relatively good position in terms of South –East European context. [3], [10]

The size of this synthetic indicator reflects that the Romanian and Polish production potential was still very low in 1938.

Tab.1: National income per capita in Romania and Poland in 1938

	Country	Level \$/capita	Gaps compared to Romania	
			Absolute	Relative (%)
1	Great Britain	378	302	397.37
2	Switzerland	367	291	382.89
3	Sweden	367	291	382.89
4	Germany	338	262	344.74
5	Netherlands	324	248	326.32
6	Denmark	318	242	318.42
7	Belgium - Luxembourg	285	209	275.00
8	Norway	252	176	231.58
9	Ireland	248	172	226.32
10	France	237	161	211.84
11	Austria	181	105	138.16
12	Finland	180	104	136.84
13	Czechoslovakia	174	98	128.95
14	Italy	127	51	67.11
15	Hungary	111	35	46.05
16	Poland	104	28	36.84
17	Greece	80	4	5.26
18	Romania	76	0	0.00
19	Bulgaria	68	-8	-10.53
20	Yugoslavia	68	-8	-10.53
	Average level of countries above	222	146	292.11
	USA	521	445	685.53

Source: Dobre (1996)

In order to build a complete picture, it is useful to take into consideration the information gave by some economic indicators expressed in physical values. It has made a selection of some relevant indicators for different countries at the level of 1938, widely considered the best year of interwar Romania's economic development. Two of these indicators are related to food consumption, an indicator refers to non-food consumption and two indicators refer to the inputs for interwar relevant industries and expanding economy. [3] [10]

The data show that at the end of interwar period, Poland recorded higher values in all selected indicators, at some indicators such as the average consumption of steel and electricity/capita, differences were considerable, for example in Poland, energy consumption per capita was 2 times higher than in Romania.

Referring to the average rate of the 22 European countries, both Romania and Poland recorded values of the indicators below the European average.

Referring to the gaps between Romania compared to the average of 22 European countries, stand out ratio above 1: 2 at the key indicators for the standard of living of the population (per capita consumption of meat and textiles) and much higher reports for indicators representing the modern development in the interwar period. (see Table 2)

Tab. 2: The average consumption per capita in Romania, Poland and other European countries (1938)

Country	Total food (calories/day)	Meat (including derivates) (kg/year)	Textiles (kg/year)	Steel (kg/years)	Electricity (kwh/an)
UK	3100	60	12.3	227	539
Germany	2960	51	8.2	263	808
Denmark	3420	75	7.2	147	302
Belgium	2970	44	9.3	180	662
Ireland	3390	55	4.4	35	125
France	2880	52	7	136	500
Czechoslovakia	2720	33	5.1	95	263
Italy	2640	20	4.2	52	355
Hungary	2770	36	3.8	50	121
Poland	2710	26	2.8	30	115
Greece	2580	20	4.7	24	38
Romania	2760	18	2.6	22	58
Bulgaria	2900	22	4.5	19	37
Yugoslavia	3020	21	3.4	17	71
Average level (22 European countries)	2870	39	6.3	122	441

Source: Dobre (1996), Murgescu (2011)

It could be clearly observed that at the above social indicators, Romania stood behind Poland and especially behind developed countries and even behind Bulgaria and Yugoslavia. This situation was the result of social polarization which was much higher in Romania than in other European countries, including the Balkans.

3.2 The communist period

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. 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 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. Regarding the evolution of Romania and Poland during the communist period is useful to compare the performance of various socialist countries. 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 1938- 1989:

Tab. 3: Evolution of GDP/capita (PPP) in Romania, Poland and Europe (1938-1989) (1990 international Geary-Khamis dollars)¹

	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

Tab. 4: Evolution of GDP / capita in the European socialist countries in the period 1950-1989 (absolute and relative (Romania = 100%) comparison)

Tara	1950	1970	1980	1989	1950	1970	1980	1989
Albania	1,001	2,004	2,347	2,477	85	70	57	63
Bulgaria	1,651	4,773	6,044	6,216	140	167	146	158
Cehoslovacia	3,501	6,466	7,982	8,768	296	227	193	222
Iugoslavia	2,480	3,755	6,063	6,250	210	132	147	159
Polonia	2,447	4,428	5,740	5,684	207	155	139	144
Romania	1,182	2,853	4,135	3,941	100	100	100	100
Ungaria	1,551	5,028	6,306	6,903	131	176	153	175
URSS	2,841	5,575	6,426	7,098	240	195	155	180

Source: Maddison (2003) and own calculation

Above data outlines the increasing gap of Romania and Poland compared to 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.

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 social and economic indicators, sufficiently diversified to offer an overview of the position of Romania and Poland in Europe, at the end of communist period.

¹ Average of & East European countries: Albania, Bulgaria, Czechoslovakia (or Czech Republic and Slovakia), Hungary, Poland Romania, Yugoslavia (or former Yugoslavian area).

Tab. 5: 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 were 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 was 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.

In conclusion, it noted that despite of the initial success of economic development (owing of using in excess resources that the two countries have had at your disposal and owing to the relatively low starting level of the Romanian and Polish economy), the gap with the capitalist countries was not even preserved, the gap was lager. This situation reflects **deepening of the peripheral development of Poland and especially of Romania**. This proves, in fact, the failure of the socialist system, of which the two countries were part.

3.3. The post-communist period

The socialist model of economic and social development, applied with some particularities and different results in the countries of Central and Eastern Europe, collapsed at the end of 1989. This happened because the maintaining of the control of socialist countries meant higher costs than the economic, political and military possibilities of USSR.

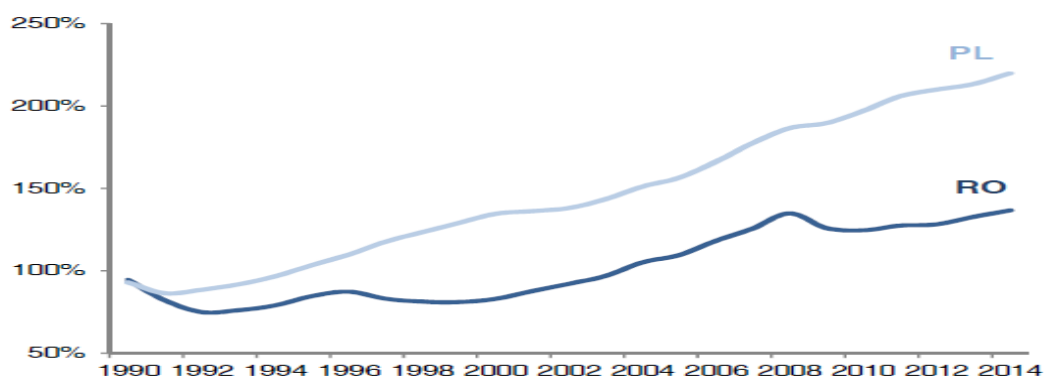
Thus, in 1989, all communist regimes from Central and Eastern Europe had collapsed and started their post-communist transition toward a political system based on the market economy. The transition to the market economy led to radical structural changes in terms of social, economic and institutional changes. The amplitude and speed of these changes were different from country to country depending on the economic situation of each country and also the political will

of the governments in power. The efforts of transition to the market economy have been successful by the accession of Poland (2004) and Romania (2007) at the European Union.

Analyzing the transformations of the economies of Romania and Poland in the last 25 years, we conclude that there are two completely different evolutions, evolutions that take shape since the first 10 years of transition to a market economy. If the gap between the economy of Romania and the economy of the west European developed countries were not really improved [2] [11], Poland had an excellent evolution especially in the last years before joining the UE, based on important reforms in the economy [6][13].

This evolution is proved by the evolution of GDP of the two countries during the period 1990- 2013, this indicator reflecting the most synthetic effects of this transition period.

Chart 6: Real GDP growth in Romania and Poland (1989 = 100%)



Source: Erste Group Research (2014)

This analysis shows that in the last almost 25 years, the Polish economy has doubled in real terms, while the Romanian economy added only a third.

A part of this evolution was predictable considering the distortions of the socialist economy, which is characteristic to all former socialist countries. In Romania, the situation is much worse by the lack of fast and deep reforms, in order to lead relatively quickly to economic recovery, as happened in other countries. If Poland, the economic development level of 1989 was quickly recovered in 1996, the GDP / capita of Romania has not returned to the 1989 value even after 10 years, when former communist countries from Central Europe have already registered remarkable results.

Thus, for 10 year, named as *lost decade of the '90s*, Romania has paid the price for its relative political isolation, for the distrust of investors, for its economic policy indecision and for a large part of the enterprise technocracy that avoided renewal that would have threatened its interests. The **“stop and go” public policies** led to the removal of foreign capital and depriving Romania from the capital and know-how as so needed for a country in transition to a market economy. This is the reason, Romania succeeded to achieve the real GDP from the time of the Revolution, only in period 2002-2003.

The second event that contributed to increasing the gap of real GDP between the two countries was the last global financial crisis with dramatic effects in Romania but without a deep echo in Poland, that continued its economic growth.

After 12 years after joining to EU and 17 years of integration in NATO, Poland is a model for European countries, is it a economic success story. Poland was the only EU country that has not experienced recession during the economic crisis.

Also in this period, Poland was marked by good governance practices by promoting a political class performance and support on an efficient public administration.

4. Conclusion

After researches, we may conclude that the influence of the historical factor plays an important role in social and economic life of a country. Due to lack of data series complete, uniform and reliable, it could not be done an accurate quantification of the influence of historical factor, for the analyzed period (1918- present), but only a quantitative assessment on certain areas. The current status of the Polish economy and the Romanian economy has its roots in the historical evolution of the two countries, the influence of historical factor is known as „path dependency theory”. [13]

**Tab. 7: Evolution of per capita GDP in Romania, Poland and Europe² (1929-2001)
(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
1929	1152	2117	1942	4387	0.26	0.48
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

Although none of them has not reached the average level of development of Western European countries, Poland has performed better, its evolution was disturbed by a series of exceptional events such as the outbreak of the second world war or occupation and the implementation of the model of Soviet development.

In conclusion, analyzing Romania and Poland in the last 100 years, we could consider their evolutions as similar for the first two periods (wars and communist) and an excellent evolution of Poland after 1990 due to the implementation of real reforms and attracting efficiency EU funds.

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² 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 Republic and Slovakia), Hungary, Poland, Romania, Yugoslavia (or former Yugoslavian area).

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