

Dilemmas of and Methods for Transforming State-Owned Enterprises and Public Housing Stock in Poland – An Attempt at Defining the Model of Privatization

Piotr Lis

Sławomir Zwierzchlewski

Doctors

Poznan University of Economics

Faculty of Economics

Department of Economic and Local Government Policy

Aleja Niepodległości 10, 61-875

Poznań, Poland

Abstract

The aim of this study is to identify basic similarities and differences in the privatization of state-owned enterprises and the public housing stock in Poland as well as to attempt to find an answer to the question whether, based on the method for privatizing the two indicated stocks, we may speak of one common model of the privatization of public property in Poland between 1989 and 2012. The authors also define the major dilemmas of ownership transformations of state-owned enterprises and the housing stock. According to the authors, these dilemmas concern the degree and method of state intervention, the equivalence of transfer of assets and the scope of the citizens' participation in privatization. The authors have assumed that the model of privatization which has dominated in Poland is the mixed one, i.e. the commercial and social model. Furthermore, besides market allocation of privatized property, a possibility of preferential purchase of ownership rights has been created. According to the authors, such a dualism stems from the following causes. Firstly, it was postulated that the society should be guaranteed participation in the process of privatization as early as at the stage of assuming privatization goals. Secondly, the discussion over the formula of privatization activities, held at the beginning of the system transformations in Poland, showed the clash between various conceptions which propagated both market methods of public property resale as well as non-equivalent methods. Even if there was not enough political will to apply non-market sales techniques, their implementation was forced by natural – in the case of system transformations – capital barriers of the Polish economy. Thirdly, legal provisions which regulated the process of ownership transformations in Poland became an important consequence of the promulgated goals of privatization and emerging dilemmas. They enabled the society to participate in the process to a large extent.

Keywords: privatization, Poland, state-owned enterprises, housing stock, privatization model, privatization dilemmas

1. Introduction

The term 'privatization' is not always explicitly understood. First of all, privatization is considered to be a change in the form of enterprise ownership from public to private. Secondly, privatization is also used to name what we call the process of commercialization, known as deregulation in the West, i.e. bringing the conditions and manners of operating the entities from the public sector closer to those from the private sector. Finally, privatization may be widely understood as an increase in the participation of the private sector in the economy, until it reaches relative domination. As a result, it leads to a change in the ownership structure of the economy, i.e. shifts in proportions between different forms of ownership (Leibenstein, 1978; Kawalec, S., 1989; Vickers, Yarrow, 1991; Dhanji F., Milanovic, B., 1991; Tittenbrum, 1995; Schelifer, 1998; Bartel, Harrison, 1999; Sheshinski, Lopeç-Calvo, 2003; OECD, 2010; Kowalski, 2013).

The above terms refer solely to state-owned enterprises. We must, however, remember that these enterprises are only one of the stocks which have undergone privatization (Jasiński, 1998; Estrinet *et al.*, 2000; Zwierzchlewski, 2000; Wojnicka, 2001; Liu, 2001).

In this context the term 'privatization' should refer to a change in ownership – from public to private – of every stock existing in the economy. Such a perspective, according to the authors, makes it possible to fully assess the model of privatization in a given country.

In Poland, alike other countries which have faced economic transformations, privatization experiences are exceptionally rich and encompass numerous stocks (Schmieding, 1991; Charemza, 1992; Grime, 1999; Turner, 2009). From the viewpoint of the size of the ownership transfer and its consequences – both economic and social, it seems crucial to focus on the privatization of state-owned enterprises and privatization of the housing stock (Clapham, 1995; Mustil, 1995; Lis, 2009; Popov, 2009; Snieska *et al.*, 2011). The dynamics of these processes differed at various levels of government, which makes their analysis even more complex, and thus original and extremely interesting.

Therefore, the aim of this study is to identify essential similarities and differences between privatization of state-owned enterprises and public housing stock in Poland as well as to attempt to answer a question whether, based on the method of privatization of the two indicated stocks, we may speak of a certain model of privatization of public property in Poland. Despite the fact that the stocks in question are considerably different, it must be particularly emphasized that the main task carried out in this work is not a sole comparison of these stocks, with the use of universal criteria, but rather identification of essential features of privatization of these stocks, based on such criteria.

First, the authors of this work specify the criteria for distinguishing privatization models. Next, the commercial and social model of privatization is defined on the basis of the assumed criteria. Finally, an attempt is made at defining the privatization model with reference to state-owned enterprises and the housing stock. Additionally, the criteria defining each model have been adapted to the models. The authors have also applied a comparative analysis in this study.

2. Dilemmas of Privatizing State-Owned Enterprises

The process of privatization of state-owned enterprises in the Polish economy began following the emergence of political factors for conversion of the political system, i.e. after the first post-war, non-communistic government was established. However, even before the actual beginning of this process, questions appeared concerning its formula and institutional bases. Thus, the dilemmas typical of the beginning of the period of ownership transformations in Poland began to stand out.

There are three major criteria for presenting these dilemmas, i.e. according to: the degree of state intervention, the degree of the equivalence of transfer of property of state-owned enterprises into private entities as well as the scope of participation of the employees of privatized enterprises.

The main problem of implementing the process of privatization in Poland was a lack of an objective model. The countries of Central and Eastern Europe could not serve as reference points, since they themselves had to face the choice of defining the path for reducing the public sector. In turn, the privatization environment in market economies differed considerably compared to that of controlled economies. Under such conditions, two contradictory views concerning the role (participation) of the state in privatization activities appeared in Poland in the early-1990s. The first reflected an extreme dislike for state intervention; the state was only supposed to create general framework for these activities, yet it should not control the process of ownership transformations. Such a conception came to be defined as spontaneous privatization. The proponents of the other view negated the independence of privatization. They postulated that legislative and financial instruments should be devised. Such an approach was defined as the technocratic privatization.

In fact, the realization of the spontaneous conception was impossible in the Polish economic reality, which stemmed from a few reasons. First of all, privatization is an integral component of changes in the political system and construction of a new institutional order. That is why it was difficult to gain political acceptance for the spontaneity of this process. Secondly, the government had to convince the citizens that by applying ownership transformations to the public sector, they would receive a part of economic authority. It all required establishing clear-cut privatization rules, and thus an active role of the state. Thirdly, the advocates of the technocratic approach were concerned about excessive enfranchisement, i.e. the nomenclature resulting from a lack of control over the process of privatization. The non-integrity from the side of the state could deform the process of privatization and, as a result, generate undesirable social reactions.

Those circumstances caused the process in question to be characterized in Poland by a high degree of centralization and formalizing. Taking into consideration the above-mentioned barriers for spontaneous privatization, it shall be stressed that ownership transformations in Poland required strong state intervention from the very beginning, even due to the fact that the privatization of state-owned enterprises was frequently joined with their restructuring.

The second dilemma concerned the degree of equivalence of privatization activities. In this respect, two trends clashed, one of which propagated the idea of equivalence, whereas the second assumed completely or partially free distribution. The principle of complete equivalence was preferred from the very beginning. The decision-makers followed the aspect of performance and the financial aspect. The former was justified by a claim that private entities would not respect their own property if they received it free of charge. The financial aspect made it possible to generate additional budget revenues which expanded the area for discretionary fiscal policy. The factors which hindered the sole use of the method of full payment for the transfer of public property quickly became noticeable. Above all, the lack of the capital market infrastructure in Poland was highlighted in the early 1990s together with the insufficient level of domestic capitals.

Due to those reasons, in 1993 a conception of the common privatization program was developed through establishing the National Investment Funds (NIF). Every citizen received a participation certificate corresponding with the assets contributed to the program. Furthermore, in spite of initial preferences for the equivalent privatization, the Polish legislator applied certain discounts (in clearly defined cases) for private entrepreneurs who purchased state-owned companies and for their employees. In conclusion, although privatization of state-owned enterprises allowed for obtaining measurable budget revenues, the institutional features of the finance market and the shortage of national capital at the beginning of changes in the political system in Poland imposed simultaneous realization of the non-equivalent privatization.

The third dilemma (partly corresponding to the second one) concerned the degree of employee participation in privatization activities. The representatives of the so-called self-government option propagated the idea of taking over public property by the employees of state-owned enterprises. This idea was justified, on the one hand, by historical arguments – contribution of the employee's groups in dismantling the socialist political system, and on the other, by the need to gain support both for privatization itself and for the reforms in the political system. The self-government option could not win widespread support, because (as mentioned above) the government elites focused on a commercial sale of property, using the equivalent method. Irrespective of this fact, the employees of the enterprises under transformation obtained complete privileges when purchasing shares, and they were given above all a possibility to realize their employee share ownership plan by means of leasing.

3. Dilemmas of Housing Stock Privatization

Housing situation in Poland in the 1980s, prior to the changes in the political system, was characterized by a considerable housing deficit, which caused a significant decrease in the availability of dwellings, lengthening of the awaiting period to obtain a dwellings, regress in housing construction, deregulation in the functioning of housing management as well as an increase in decapitalization of housing development (Lis, 2008). The economic and political transformation of the Polish economy, which began in 1989, imposed conceptual and model work concerning the housing policy, including the process of privatization, under new market conditions and with the existing housing situation. The main dilemmas of ownership transformations in the housing stock in Poland concerned the following: the scope of state intervention, the method for conducting ownership changes, the scope of the residents' participation in the ownership transformations of the housing stock, the degree of equivalence of sale prices in relation to the market value of the housing stock.

The dilemma concerning the scope of state intervention applied to the universal, or in other words, selective housing policy (general or residual), assuming at the same time that the housing market was the primary mechanism of distribution. The universal conception was dominated by an idea of joint payment and obtainment of benefits by all the interested parties, and the social housing policy created a wide area of influence with an important capital and redistribution function of the financial system. Under the selective conception of the housing policy, state intervention was directed at less wealthy households (general variant) or specific sensitive groups (residual variant). The role of the state was much lesser under the selective conception than under the universal one. As a result, the share of dwellings for rent in the total stock remained much larger under the universal conception than under the selective one.

The work of the Institute of Housing Management constituted the most crucial opinion-forming voice for the universal conception of the housing policy, whereas the government assumed selectivity of the housing policy in the general variant. Such a stance resulted primarily from the desire of the central authorities to reduce public expenditures on housing. The process of privatization, being the essence of liberal reforms in the UK in the 1980s, became a certain role model and an inspiration at the same time. The process concerned – to a large degree – the scale of ownership transformations of the social housing stock.

The second dilemma, associated with the manner of conducting ownership transformations, concerned a bottom-up or a top-down approach to the process of privatization. The former consisted in taking privatization-related decisions at the central level, whereas the latter assumed that the local level should take over the responsibility within this scope. In Poland, a more popular conception was the bottom-up approach in which the key role was played by *gminas* (communes). The local authorities were to decide about the privatization of housing stocks, the choice of public dwellings intended to be privatized and the value of discounts granted under the existing legislation prepared by the central authorities.

The third dilemma concerned the scope of the residents' participation in ownership transformations of the housing stock. The conception that dominated here was considerable participation of the existing residents in ownership transformations of both the municipal and company stocks as well as cooperative housing stocks. High participation of the existing residents of the housing stock in the process was supposed to compensate considerable transformation costs connected with the transformation of the economy and born by "ordinary" citizens. Another conception was the sale of housing real estate to every interested person who possessed an adequate capital. Each of the above conceptions assumed that the owners would care for their housing real estate by refurbishing and modernizing it. Thus, the local authorities would get rid of the stock which required high expenditures, yet this stock would not be completely depreciated.

The fourth dilemma, corresponding partly to the previous one, concerned the equivalence of sale prices in relation to the market value of housing real estate. Privatization could have been conducted either based on market principles or through partially or completely free distribution. In Poland, it was the partially free distribution that dominated when it came to realizing ownership transformations, yet it was conducted with using considerable discounts. The sale of dwellings in the municipal and company housing stocks to their existing tenants did not take the form of a market transaction. The sale price established on the basis of the market value of the real estate was adjusted by the discount which could amount up to 95%.

4. Methods for and Dynamics of Privatizing State-Owned Enterprises

At the turn of March and April 1990, two bills on privatizing state-owned enterprises were submitted to the Sejm almost simultaneously: one governmental and the other parliamentary. The bills submitted to the Sejm differed significantly from each other both in terms of the conception of privatization they assumed and the solutions they suggested. The main differences concerned the following: the extent of the acts, institutional solutions beneficial for privatization, including political control over its course, the role of the employee share ownership as well as other legal and financial solutions serving for distributing ownership within privatization (Błaszczuk, 1993).

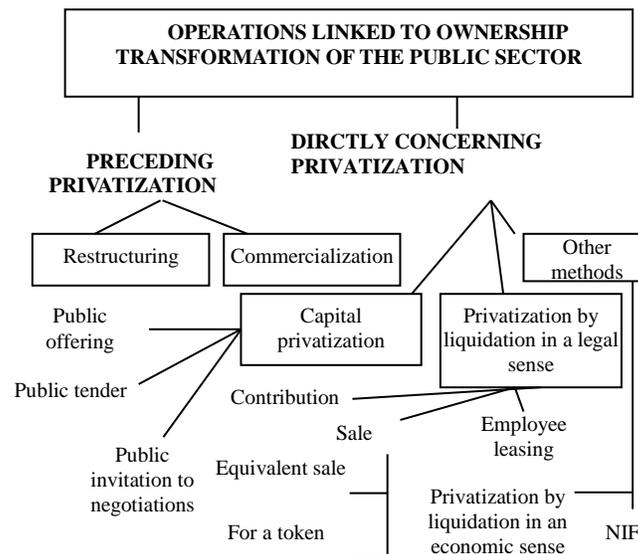
The final version of the law on the privatization of state-owned enterprises was passed by the Sejm only in July 1990. Bearing in mind the provisions of this law, it may be assumed that there were two fundamental methods of transformations in the Polish system of enterprise ownership transformations: a capital method and a liquidation method in the legal sense. The essence of the capital privatization was a two-stage process of ownership transformations. First, there was commercialization, i.e. a share capital was established with the enterprise funds, divided into a specific number of shares which were fully taken up by the Treasury (Dobroczyńska *et al.*, 1998). Next, the Treasury rendered the shares available to external investors through: a public offering, which applied mainly to large enterprises in a good economic and financial condition, a public tender, used most often in the case of smaller enterprises, a public invitation to negotiations, in the case of the largest and most important enterprises from the perspective of the state's economy.

The essence of privatization by liquidation was administering a state-owned enterprise through: a sale of an enterprise, contribution of an enterprise to a company, giving of an enterprise to a company to be used for consideration with the employee participation for a specified period of time (employee leasing).

Subsequent legislative solutions (after 1990) in the area of privatization resulted in the development of other possibilities for ownership transformations of state-owned enterprises. The state-owned enterprises act (with amendments of 19 July 1991) formed the premises which served as the basis for putting an enterprise into liquidation due to a bad economic situation. Additionally, the national investment funds act created the bases for mass privatization.

Figure 1. presents privatization methods in the background of the activities directly or indirectly connected with the transformation of the state sector. Most techniques were grouped within the above-mentioned capital and liquidation methods. They constituted the basis for determining an equivalent ground for ownership transformations. However, some provisions acted as obstacles on the way to the non-equivalent privatization, and even to common free distribution, e.g. in the case of the NIF program. The scope of the enfranchisement of the society and the employees of transformed enterprises depended to a large degree on the dynamics of privatization in Poland.

Figure 1: Methods for Privatizing State-Owned Enterprises in Poland



By the end of 2012, the capital method was applied to transform 764 state-owned enterprises. Due to the character of its techniques, this method may be perceived as the most commercial one. It shall be stressed that – in most statistical comparisons – a capital offering of shares means a sale without any conditions concerning the number of shares sold. It prompts (statistical) doubts when the Treasury brings minority stakes into the stock exchange. On the other hand, it may be justified in the case when an active strategic investor becomes a shareholder.

The privatization by liquidation in the legal sense was applied to 2308 state-owned enterprises. The most common technique in this case was the leasing path directed above all at the employees of privatized enterprises (Zwierzchlewski, 1998). Furthermore, 1934 enterprises were privatized by liquidation in an economic sense by the end of 2012. This form of privatization was applied with regard to enterprises which were persistently unprofitable and did not show any chance of improving their financial result.

5. Methods for and Dynamics of Privatizing Housing Stock

There are three main methods for privatizing the housing stock in Poland: the municipalisation of property, the sale of ownership rights to premises by way of a tender or without a tender as well as the transformation of cooperative rights to dwellings. It seems justified to further discuss the above methods at this point.

The process of privatizing the housing stock in Poland began in 1990. At that time, *gminas*, being units of the local government, were equipped with fixed assets and became the owners of a significant part of housing real estate adopted after the local organs of state administration, whose stock amounted to approximately 2.1 million dwellings in 1988. Simultaneously, *gminas* were imposed with the obligation to satisfy social housing needs, including the municipal and social housing construction.

Municipalisation of the dwellings belonging to the Treasury may be considered as an initial method of privatisation supporting the stage of improving the housing economy in the public stock. This process was accompanied by a relatively insignificant transfer of the state stock to the existing tenants. Since 1991, ownership transformations have been made possible in company dwellings of the forestry service and in the real estate of the employees of State Agricultural Farms.

Only since 24 June 1994 did the act on the ownership of premises make it possible to sell dwellings as separate property by introducing the principles of separating the ownership of dwellings, principles of and procedures for separating those dwellings as well as an obligation for the owners to bear the full costs of maintenance, adequate to their participation in joint ownership. Thus, intensive ownership transformations began, especially in the municipal housing stock. Simultaneously, the principles of and procedures for transferring lands covered with residential buildings were regulated, allowing for a transfer of property from state-owned enterprises to *gminas* or other legal persons. The sale of ownership rights to housing real estate may be regarded as the primary privatization method. It has been conducted in two ways: a predominant no-tender method and a complementary tender method.

The no-tender method has been applied mainly to the sale of property to the existing tenants, providing that the lease has been established for an unspecified time. It could also apply to the sale of real estate to the previous owners of the real estate for sale (including their inheritors), who were deprived of ownership rights to that real estate before 5 December 1990, on condition that they fulfil formal requirements (submit a request for acquisition). The real estate which belonged to the Treasury or local government units could be sold with a discount to the price established on the basis of a specified market value of the housing real estate. It is estimated that an average discount amounted to 87-89% between 2009 and 2011 (Ministerstwo, 2012), reaching even 95% of the real estate price in previous years.

In the tender method, the sale of housing real estate takes place based on the following procedure. The starting price in the first tender is set to the amount which is not lower than the value of the real estate. If the first tender is not completed, the price of the real estate may be lowered below the market value, yet not lower than 50% of that value. If the second tender is negative, the price is negotiated with the buyer in the amount not lower than 40% of the real estate value.

The process of privatization connected with the sale of ownership rights to housing real estate concerned approximately 45% of the *gminas*' stocks and almost 90% of enterprise stocks between 1992 and 2011 (Table. 1). As a result of the process of ownership transformations in Poland, 64% of owners of the housing stock in 2011 were natural persons.

Table 1: Privatization of Dwellings Belonging to *Gminas* and Enterprises (in million)

| Specification | 1992 | 2011 | Change |
|----------------------|------|------|--------|
| Municipal dwellings | 2,0 | 1,1 | 0,9 |
| Enterprise dwellings | 1,5 | 0,2 | 1,3 |

Against the expectations of the state, the problem of a considerable repair backlog in privatized premises was not solved. The amount of necessary expenditures for repairing multi-family residential buildings frequently surpassed the financial means of the "new" owners of those premises. Furthermore, *gminas* sold mainly the dwellings of a relatively higher standard than the average in the municipal stock. As a result, the technical condition of the municipal stock did not improve, with a decreasing number of dwellings. The process of changing the qualitative structure of the municipal stock was not supported with the receipts from the privatization of dwellings. The financial means obtained from the sale of the municipal stock were insignificant, which resulted from granting high discounts. It shall be kept in mind that the decisions concerning discounts could have served as a key instrument supporting groups of electors at the local level, which increased the local authorities' chances for being reselected in the following elections. Under such conditions, *gminas* did not conduct even their most fundamental task in the form of providing social dwellings to those who were entitled to such dwellings on the basis of court decisions. Private owners of the housing real estate inhabited by the tenants with rent arrears claimed for compensation to *gminas* after finishing court proceedings. It is estimated that the compensation for undelivered social dwellings amounted to 70 million zlotys in 2011 (Ministerstwo, 2012). Compensatory procedures created further limitations in the *gminas*' housing economy.

The privatization of the municipal housing stock certainly did not offer support to resolving those problems. Moreover, it may be disputed whether or not it was their main cause.

Ownership transformations of cooperative rights to dwellings were another method for privatizing the housing stock. Thus, a cooperative tenant right was transformed into a cooperative ownership right and a cooperative ownership right into an ownership right. Given the financial problems of housing cooperatives, regarding cooperative property to be private property in 1994 led to profound ownership changes in that stock. The number of dwellings which constituted the cooperative tenant right decreased by over 80% in the years 1988-2011 (Table 2).

Table 2: Ownership Transformations in Housing Cooperatives (in millions)

| Specification | 1988 | 2002 | 2011 |
|---------------------------------|-------------|-------------|-------------|
| Cooperative tenant dwellings | 2,3 | 1,1 | 0,4 |
| Cooperative ownership dwellings | 0,5 | 2,3 | 1,9 |

Some of the cooperative tenant rights were transformed into cooperative ownership rights and some into ownership rights to premises. As a result, lands covered with multi-family residential buildings remained the joint ownership of housing cooperatives (including the cooperative tenant right and cooperative ownership right to premises) and private owners of premises (ownership). The process of ownership transformations in housing cooperatives led to the marginalization of the housing stock for rent. In this case, the process of privatization limited the role of the housing cooperative movement, which had been deeply rooted in the Polish housing policy since 1920.

6. An Attempt at Formulating the Model of Polish Privatization

There are two radically different models of privatization in the transformation economy, i.e. the commercial one and the social one. The former assumes that the main aim of privatization is to increase the efficiency of enterprises, and the preferred method for allocating state assets is the market mechanism. What follows is a limited number of beneficiaries of the process of ownership transformations. The proponents of this model emphasize that its clarity of market methods is accompanied by additional benefits from receipts to the budget, which come from the sale of shares or assets of privatized enterprises.

Similarly, the efficiency criterion is also applied in the social model. However, the main determinant of this model is wide enfranchisement of the society, including employee crews, by creating convenient conditions for purchasing privatized property. The proponents of this model indicate that it makes it possible to gain wider support for political and economic transformations, due to active participation of the society in the process of privatization.

Table 3 presents a comparison of the main characteristics of the privatization of state-owned enterprises and the public housing stock in Poland, which – according to the authors – determine the shape of the privatization model. Besides the common motives for privatization, we may enumerate some differences, especially with respect to the manner of state intervention and the equivalence of the transfer of property. As regards the former criterion, it is stressed that the privatization of state-owned enterprises was dominated by a top-down approach, which was conducted and strictly supervised by the central authorities. Although the employees were granted the right to co-decide about the method of privatization, the deciding vote belonged to the minister competent for privatization. The privatization of the public housing stock was conducted bottom-up and shaped mainly by the local authorities within the legal framework laid down by the central authorities. As far as the latter criterion is concerned, the privatization of state-owned enterprises was dominated by the equivalence privatization, with partial inclusion of the non-capital privatization. On the other hand, as regards the public housing stock, the sale of premises to the existing residents or employees of state-owned enterprises was non-equivalent with very high discounts.

Table 3: Similarities and Differences in the Privatization of State-Owned Enterprises and Public Housing Stock in Poland

| Criteria | State-owned enterprises | Housing stock |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Privatization motives | - economic - pragmatic (higher efficiency of social benefits) | - political - economic |
| Manner of state in intervention | - top-down approach | - bottom-up approach |
| Privatization techniques | - participation of enterprise employees - capital technique - direct sale | - participation of tenants |
| Equivalence of sale prices in relations to market value | - mixed privatization: equivalent and non-equivalent (free distribution or intentional lowering of market value) | - dominant non-equivalent privatization - marginal equivalent privatization |
| Consequences of privatization | - change in ownership structure in the economy | - quality of privatized housing stock did not improve significantly - limitations to local housing policy |

Regarding the key features of privatization in Poland, it may be concluded that neither of the above models occurred in its clean form. We may thus consider there to be a commercial and social model of privatization in Poland, which created the possibility of preferential purchase of ownership rights beside the market allocation of privatized state assets. Such a dualism was conditioned by two factors. First of all, it was postulated that the society should be guaranteed participation in the process of privatization as early as at the stage of assuming privatization goals. The autonomy of state-owned enterprises in Poland, which gradually grew in the 1980s, strengthened the belief that enterprises should become the employee crews' property. In turn, the decisions concerning the scope of ownership transformations and the amount of discounts made at the local level supported – in an obvious way – the existing residents in purchasing ownership rights to premises. After all, these people constituted an important group of electors in the local elections. Secondly, the discussion over the formula of privatization activities, held at the beginning of the system transformations in Poland, showed the clash between various conceptions which propagated both market methods of public property resale as well as non-equivalent methods. Even if there was not enough political will to apply non-market sales techniques, their implementation was forced by natural capital barriers of the Polish economy. Thirdly, legal provisions which regulated the process of ownership transformations in Poland became an important consequence of the promulgated goals of privatization and emerging dilemmas. They made it possible for the society to participate in the process significantly, especially by giving of an enterprise to a company to be used for consideration with the employee participation (the leasing path), as well as by granting discounts to the existing owners.

In the light of the above, it may be concluded that the process of privatization has been made more flexible. It is reflected by the fact that the commercial and social models of privatization intermingled in Poland. The crystallization of a common commercial and social model has also resulted from the natural differences in the conditions of individual stocks under privatization (Table 3), which make it quite impossible to choose a universal method for ownership transformations in Poland.

7. Conclusions

The acceleration of the global competition in the world economy at the turn of the 20th century influenced the way people perceived the private sector, especially in such countries as Poland, where the centrally controlled economy was dominant. It shall be emphasized that the public acceptance of the predominance of private ownership over state ownership did not pertain only to enterprises, but also to other stocks, including the housing stock.

Thus, the conditions for conducting the process of privatization had to be determined. Formulating the institutional bases for this process was not an easy task, since centrally controlled economies were forced to work out their own financial and legal framework for privatization activities. As a result, there was a need to make political choices to include ownership transformations as an integral element of the triad: stabilization, liberalization, privatization. In the conditions of the Polish economy, the choice in question concerned mainly the role of the government in the area of privatization activities and the scope of equivalence of those activities.

The process of privatization cast a vital dilemma, i.e. which criterion should be regarded as the primary one in the process. The clash of various views and conceptions of privatization revealed the fact that both stabilization and liberalization were easier to implement and conduct. As a result, the institutional solutions within ownership transformations in Poland forced various stances to reconcile and a mixed model of privatization appeared, referred to as the commercial and social model.

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