Economic transition and elections in Poland[1]

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Abstract

Poland's economic and political transition, one of the most successful, has depended very heavily on job creation in new firms to replace the jobs lost in the formerly state-owned enterprises. This paper uses survey and aggregate data from three Polish elections to suggest that these de novo firms, the individuals they employ, and the residents in the local areas where they exist become an important constituency supporting pro-reform political parties and constraining the actions of parties less sympathetic to the reforms. The creation of this political constituency helps explain how countries can successfully pursue both economic and political reforms.

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1. Introduction

Accomplishing economic reform and democratization simultaneously is a daunt-
ing task, as many writers have observed (see Hellman, 1998). Yet, with varying
degrees of success a number of countries are accomplishing this feat, while others
seem unable to make the transition. A central factor contributing to economic suc-
cess is the country's ability to encourage and support de novo firm creation and
growth, what Schumpeter calls creative destruction (see Caballero and Hammour,
2000; Jurajda and Terrell, 2001; Kornai, 2000). The Polish transition, often cited as
a success, has depended very heavily on job creation in new firms to replace the
jobs lost in the formerly state-owned enterprises (see Jackson, Klich and Poznańska,
1999, 2000; Winiecki, 2000). This de novo firm creation has political as well as
economic consequences.

   A previous paper (Jackson, Klich and Poznańska, 2003) uses evidence from the
1993 Polish elections to argue that these creative economic activities nurture a
small but potentially growing constituency that supports pro-reform parties and
candidates. (The results support the predictions from Fidrmuc's (1998) formal
model contrasting the interests of employees in the new private sector with workers
in the state sector and the unemployed.) Votes for pro-reform parties directly
help these parties to gain seats in the legislature. Indirectly, the growing presence
of this constituency, combined with the imperative to continue to win elections,
constrains the actions of non-reform parties that might otherwise pursue policies
that restrict or reverse the reforms. We use the Polish elections between 1991 and
1997 to demonstrate three related points: the emergence of a pro-reform constitu-
ency based on the growth of new enterprises; the support this constituency gives
to pro-reform parties; and that this new economy constituency affects the policies
of all parties, not just the pro-reform parties.

   The paper begins with a brief summary of findings on the role of de novo firm
creation in the development of market economies. The emphasis in this discussion
is on the implications of this process for the development of a pro-reform political
constituency. This is followed by an analysis of survey and election return data to
show the development of such a constituency and its support for parties committed
to further reform. We end with a brief discussion of the current party manoeuverings
and actions taken before and after the elections held in September, 2001. These
actions demonstrate the importance of this new constituency and how a variety of
parties are trying to capture its support.

2. Creative destruction and pro-reform interests

Caballero and Hammour (2000, p. 11) contend that, 'The evidence of extensive,
on-going job flows that are pervasive throughout the economy and constitute a
major mechanism of productivity growth points to the centrality of creative

destruction in the growth process.' Poland is certainly no exception. We report in other work (Jackson, Klich and Poznańska, 1999, 2000) that based on data from the Polish Central Statistical Office (GUS) the birth and growth of new and small enterprises employing over five workers in 1997 added about 2.4 million jobs to the Polish economy between 1990 and 1997. Further, the Foundation for the Promotion of Small and Medium Sized Enterprises estimates that in 1997 there were nearly 1.5 million firms with zero to five employees and these enterprises employed 2.3 million workers (Dzierżanowski, 1999). Combining the estimates from the two data sources suggests that 4.6 million jobs were created in firms started after the transition began or in private firms with less than one hundred employees in 1990. The creative process contrasts sharply with the destruction that took place among the enterprises that were state and collectively owned and the large private firms (those employing more than 100 workers) existing in 1990. This set of enterprises had a net loss of close to four million jobs, and gross job creation of only about seventy-five thousand jobs.[2]

3. Firm creation and individual attitudes

The proposition in our earlier paper is that the creation of these new firms and the successful transition to the transformed economy they represent is accompanied by the development of voters interested in continuing or even accelerating the economic reforms. Data from the Polish General Social Survey (Cichomski and Morawski, 1998) can be used to track the changing level of support for the new private sector.[3] The variable combines responses to two questions to create a measure of respondents' confidence in private economic firms relative to state-owned firms. This variable ranges from zero to one, with one indicating a great deal of confidence in private firms and hardly any confidence in state firms and zero just the opposite.[4] There are two important hypotheses represented in these data. The

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[2] The gross job creation and destruction estimates suggest a net job creation in the Polish economy, which is inconsistent with the persistently high unemployment rate. This obvious discrepancy can arise from a number of sources. One is overly optimistic job creation figures in one or the other dataset. It is also likely that individual Poles are now holding more than one job, so that the number of individuals employed is not expanding as fast as the number of jobs.

[3] The specific advantage of the PGSS study is that the questions and survey methodology are fairly consistent over time so observed changes more likely reflect changes in the populace than in survey methodology. The exception is that researchers experimented with question structure in half the 1997 survey. We adjust the variable definitions to account for these experiments. In the experimental half the respondents receive the usual question and half are asked the new format. This split sample allows us to compare response patterns and to then adjust the responses to the new formats accordingly. We have pooled the data from the 1992, 1993, 1994, 1995 and 1997 surveys for the analysis of people's confidence in private firms.

[4] The precise question is: 'I am going to name some institutions in this country. Would you say you have a great deal of confidence, only some confidence, hardly any confidence at all in them, or don't know? State Firms; Private Firms.'

Table 1. Confidence in private vs state firms and ownership of employer

	1992	1993	1994	1995	1997
A. Confidence measure					
% with low confidence	23.8%	30.3%	32.3%	33.4%	29.7%
% with high confidence	12.3%	8.6%	6.7%	7.1%	9.7%
Gap	11.5%	21.7%	25.6%	26.3%	20.0%
B. Ownership of respondent employer					
Private firm (non-farm)	18.9%	16.4%	19.5%	20.6%	23.3%
Restructured firm	7.7%	9.2%	14.4%	14.3%	16.0%
State or cooperative enterprise	74.3%	75.3%	67.6%	67.6%	62.7%
C. % Employed in new firms (>5 employees)	4.4%	5.5%	6.6%	8.6%	14.0%

first is that at the aggregate level this confidence should increase as the new private sector becomes more successful. The second is that at the micro level, people employed in new private firms should express more confidence in private firms than people employed in enterprises remaining in the state sector, and this category should expand over time.

Table 1 Part A, shows the proportions of the respondents in the lower and upper parts of the distributions and the gap between the two. The lower tail consists of respondents who expressed hardly any confidence in private firms and some or a great deal of confidence in state firms. People in the upper tail say they have some or a great deal of confidence in private firms and hardly any confidence in state firms. Confidence in private firms eroded substantially following the hardships of the early 1990s at the beginning of the transition. By 1997, with the aggregate economy improving and with substantial evidence of new firm creation, confidence improved.

Part B of the table shows the proportion of respondents with themselves or a spouse employed in private non-farm enterprises, in joint stock companies, or in state or cooperative enterprises.[5] (The columns total more than 100 percent because we count both the respondents' and the spouses' employment.) The biggest employment change is in the proportion in joint stock companies, which are enterprises in the process of privatization. There is a large decline in the proportions working in state enterprises, and a modest increase in employment in private firms, which includes self-employment. We argue that it is the relative size of these three groups that contributes to the support or opposition to reforms.

Part C of the table shows the proportion of the workforce employed in firms begun since 1990 or that existed in 1990 but employed fewer than one hundred

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[5] Unemployed individuals are counted in these categories as the question refers to current or most recent employment. The omitted category is respondents or spouses who have never worked.

Table 2. Confidence in private vs. state enterprises

Explanatory variable	Coefficient	Standard Error
Constant	0.401	*0.024*
1992	0.076	*0.009*
1993	0.037	*0.008*
1994	0.009	*0.007*
1995	−0.002	*0.007*
Private employer	0.117	*0.010*
Never worked	0.063	*0.009*
Joint stock company	0.015	*0.012*
Years of schooling /10	0.083	*0.009*
Log(income)	0.016	*0.004*
Age/100	−0.680	*0.086*
$(Age/100)^2$	0.679	*0.086*
Farmer	0.077	*0.008*
Village	−0.011	*0.005*
Unemployed	−0.020	*0.009*
Female	−0.012	*0.005*
	$N = 8910$	$R^2 = 0.062$

workers. Parts B and C illustrate the growth in the size of the de novo sector, and its potential for developing a pro-reform constituency.

Not surprisingly, respondents in families with employees in the private sector express far more confidence in the private sector than do workers in other ownership sectors. Table 2 presents the estimated coefficients when we regressed the confidence variable on a set of individual characteristics, including type of employer. On the zero to one confidence scale, respondents where both family members worked for a private employer have an expected confidence that is 0.12 higher than respondents with both members in the state sector. The magnitude of this relationship contrasts with other relationships, which are of the order of 0.01 or 0.02 for females, those living in villages, or an unemployed person.[6] What may surprise some is that there is no difference in confidence between respondents working for state firms and those working for joint stock companies. As expected, unemployed individuals have less confidence in private firms, though the coefficient of −0.02 indicates that their level of confidence does not differ much from workers in state-owned firms.

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[6] We also did the estimation using an ordered probit model, which better accommodates the ordinal nature of the responses. The results were nearly identical, so we report the OLS model for ease of exposition.

Confidence, or lack thereof, in private firms is not simply a matter of employment circumstances. Education and income are strongly related to the level of confidence, with the better educated and the better off being more confident in private firms. The relationship with education may reflect individuals' expectation that a market economy will more highly value human capital than the command economy. Or it may reflect a belief by the better educated that a private economy will perform better for everyone than the previous economy, not just themselves. People living in villages and women had less confidence in private firms.

The relationship between confidence and age is particularly interesting. The results show a very definite quadratic pattern, with confidence reaching its lowest point about age fifty. This age would be about the point at which one has the most difficult time dealing with an abrupt economic transition. Retirement may still be a number of years away, yet it is very difficult to seek new employment. In addition, one is likely to still have family responsibilities at that age. A second explanation derives from the socialization into the political and economic system which respondents might have received. Someone aged 50 in the early 1990s would have been born in the early 1940s so that virtually all their socialization would have taken place during the Communist years. Older respondents had some exposure to the pre-Communist period, though that was not a particularly optimistic period for Poles. Among younger respondents the later one was born the larger a proportion of one's life was spent during the period of resistance during the 1980s, which would have undermined the attachment to the socialist system.

4. De novo job creation and elections

The remainder of the paper examines the Polish parliamentary elections from 1991 to 1997 to test the proposition that job creation in new firms forms an element of a pro-reform constituency. To anticipate our findings, at the level of individual voters making choices among the competing parties and candidates and at the level of voting returns by election district (voivodship) these new economic interests play a consistent role in Polish elections.[7] There is a high degree of stability in voters' positions on key issues and on how these issues relate to voting patterns. At the aggregate level, the variations in vote shares across voivodships exhibit quite stable relationships with variables describing the economic and social characteristics of these districts, again suggesting an important continuing role for this constituency.

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[7] In the 1991, 1993 and 1997 elections Poland had 49 voivodships. Two were split into subdistricts for electoral purposes. Because data are not available for areas smaller than a voivodship the statistical analyses combine the districts in Katowice and in Warszawa into single districts that matches the voivodship.

5. Polish elections: 1991–97

Poland conducted parliamentary elections in 1991, 1993 and 1997. There is a considerable degree of continuity to the major issues during this period. In 1991, the major issues were the role of the Catholic church in Polish civil and political life and the role for former Communist leaders. Some parties, most notably the post-Communist SLD, also campaigned against the effects of the stringent macroeconomic policies adopted by the incumbent reform coalition led by the UD. By 1993 the liberal reform economic policies and their consequences had become a major issue. These three issues – the role for the church and church teachings, the political access for former Communists, and the pace and direction of economic reforms – are the major political fault lines though with different degrees of emphasis through all three elections. (For extended discussions of the 1993 election, see Chan (1995) and Powers and Cox (1997). Slay (1994) and Tworzecki (1996) have good discussions of the 1991 and 1993 elections.)

The configuration of contending parties and candidates is much less stable through these elections. Table 3 shows the major parties and candidates and their shares of the votes in each election. Twenty-nine parties won seats in the parliament in 1991, which led to a succession of short-lived governments between 1991 and

Table 3. Major parties and vote shares

Party/candidate	1991	1993	1997
Economic Liberals			
UD	12.3	10.6	
KLD	7.5	4.0	
UW (UD + KLD)			13.4
Post-Communist			
SLD	12.0	20.4	27.1
PSL	8.7	15.4	7.3
Post-Solidarność Catholic and Union			
Catholic	8.7	6.4	
Solidarność Trade Union	5.1	4.9	
AWS			33.8
PC/BBWR	8.7	5.4	
Economic Left			
UP	2.1	7.3	4.7
Far Right, Nationalist			
KPN/ROP	7.5	5.8	5.6
Other	27.4	19.8	8.1

1993. The UD, the largest member of the coalition governments between 1991 and 1993, is the party most strongly identified with the liberal economic reforms, though there were divisions in the party between the economic liberals and the social democrats. The KLD was a minor coalition member that consistently supported the liberal reforms. These two parties merged in 1994 to form the UW after the KLD failed to win any seats in the 1993 election.

The SLD and the PSL are two so-called post-Communist parties because their leaders were party officials in the Communist party before 1989. They formed the governing coalition from 1993 to 1997. The SLD is a broad coalition, including the former Communist trade union, the OPZZ. In 1991 the SLD campaigned strongly against the economic reforms and in favour of state intervention to protect Poland's heavy industry (See Tworzecki, 1996, p. 59). Their economic platform became less opposed to the economic reforms with each election, though they were continually seen as opposing the reforms and their economic leaders continue to disparage the UD policies promoted by Balcerowicz (see Kołodko, 2000). The PSL is an agriculturally and rurally based post-Communist party. It strongly opposes the economic reforms and campaigns strongly in favor of continued subsidies for farmers and state-owned firms.

The right-wing parties are an amalgam of organizations remaining from Solidarność that could not unite into a single coalition, except in 1997. One group of parties, led by the ZChN, was church related and advocated a strong role for the Catholic church and strongly pushed the ban on abortions favoured by church leaders. The ZChN was part of the governing coalition in 1993, but chose to run as part of a Catholic coalition party in 1993. This coalition did not receive enough votes to win seats in the Parliament following that election.

Independent organizations loosely associated with President Wałęsa contested the 1991 and 1993 elections. These are the Center Alliance (PC) in 1991 and the BBWR in 1993. Each received enough votes to have a small bloc of seats in the parliament but each evaporated before the next election. The trade union arm of Solidarność ran as its own party in 1991 and 1993 and was part of the coalition government in 1993. It strongly opposed the economic reforms and its defection from the coalition in 1993 led to the fall of the last UD led government. It did not receive enough votes in 1993 to gain seats. Prior to the 1997 elections the trade union leader, Marian Krzaklewski, organized the AWS coalition that united the trade union and Catholic parties. This coalition won a plurality of the votes in 1997 and formed a coalition government with the UW that lasted until the summer of 2000 when the UW left.

The UP is included as a separate party even though it remained a small party, eventually losing its base after 1997 and joining the SLD before the 2001 election. It is an interesting party, taking positions opposing economic reform and the role of the church that easily matched those of the SLD yet also strongly anti-Communist, reflecting the roots of some of its leaders in the Solidarność movement. The UP hoped to build its base among voters who opposed the reform, but who would

not vote for the SLD because of its leaders' Communist background. As evidenced in Table 3, this strategy was not viable.

Lastly, there have been a series of small but strongly nationalistic parties that won a small portion of the vote and a few seats in parliament. In addition to their nationalism, these parties advocated a very populist economic programme in opposition to the liberal reforms, were strongly anti-Communist and generally were sympathetic to the church leaders. The KPN most vocally pushed this platform in 1991 and 1993, after which it lost its influence. Even though the KPN continued to exist as a party, its influence was taken over by the ROP, led by Jan Olszewski. There were attempts to get the ROP to join the AWS coalition, where there would have been agreement on many policies, but Olszewski chose to run separately in 1997.

This abbreviated description of the major issues and various parties and candidates contesting each election helps to predict the likely vote choices of individuals supporting the economic reforms and with strong confidence in private firms. These people are most likely to support the UD/UW party. They are unlikely to support the SLD, the PSL and the UP among the left parties or the Solidarity Trade Union on the right. The pro-reformers may be somewhat ambivalent about the Catholic parties, who did not support the liberal reforms but who did not take highly visible positions on the economy and were part of the liberal government up to 1993. These brief descriptions also indicate additional variables needed to correctly specify the individual and aggregate vote models.

6. Individual vote choices

We begin by analyzing individual vote choices for the various elections using data collected in the Polish General Social Survey (Cichomski and Morawski, 1998). The individual data allow us to relate vote choices to attitudes that cannot be observed at the aggregate level. A multinomial logit model is used because the vote variable is the result of choices among several alternatives. For the 1991 and 1993 elections the votes for the UD and the KLD are combined to reflect a vote for an economic liberal party. This also makes the results comparable to the 1997 election where these two parties had formally merged to create the Union of Freedom, UW. We denote a vote for either the UD or the KLD in 1991 and 1993 as a vote for the UW. The other parties treated explicitly in the analysis are the SLD, the PSL, the UP, the Catholic coalition and the Solidarność trade union. In 1997 these latter two parties formed a coalition that ran under the acronym AWS. Votes for all the other minor parties are combined into a single Other category so that all vote probabilities sum to one.[8] The dependent variable in the analysis is the log of the probability of choosing one party relative to the probability of choosing the UW. For individual

[8] In the aggregate analysis in 1993 we include the KPN and the BBWR explicitly. In the individual analysis too few respondents indicated voting for these parties to produce meaningful results.

i these dependent variables are $\log(P_{i,sld}/P_{i,uw})$, $\log(P_{i,psl}/P_{i,uw})$, $\log(P_{i,up}/P_{i,uw})$, $\log(P_{i,cath}/P_{i,uw})$, $\log(P_{i,solid}/P_{i,uw})$, or $\log(P_{i,aws}/P_{i,uw})$, and $\log(P_{i,other}/P_{i,ud})$, where $P_{i,x}$ refers to the probability that respondent *i* reports she or he voted for party *x*. Each of these log odds ratios is then related to a set of explanatory variables that includes the measure of confidence in private enterprises,[9]

$$\log(P_{i,sld}/P_{i,uw}) = X_i B_{sld} + U_{i,sld} \tag{1}$$

$$\log(P_{i,psl}/P_{i,uw}) = X_i B_{psl} + U_{i,psl} \tag{2}$$

$$\log(P_{i,up}/P_{i,uw}) = X_i B_{up} + U_{i,up} \tag{3}$$

$$\log(P_{i,cath}/P_{i,uw}) = X_i B_{cath} + U_{i,cath} \tag{4}$$

$$\log(P_{i,solid}/P_{i,uw}) = X_i B_{solid} + U_{i,solid} \tag{5}$$

$$\log(P_{i,other}/P_{i,uw}) = X_i B_{other} + U_{i,other} \tag{6}$$

The central variable in our analysis of individual vote choices is the one measuring respondents' confidence in private relative to state firms. We expect variations in this attitude to be strongly related to individual vote choices, particularly as the transition proceeds and as economic issues become an important part of the political debate. Two other attitude variables are included because they capture the other main areas of conflict among the major parties and candidates in the Polish elections during the 1990's. Respondents were asked about their assessment of Communism as a form of government and about whether churches have too much or too little political influence.[10] In addition to these three attitude variables we include several variables to capture specific aspects of each campaign and party strategy. Three variables indicate whether respondents are farmers on private or state-owned farms and/or live in a rural village. We expect the private farming and village variables to be strongly related to votes for the PSL, which is an agriculturally and rurally based party. Farmers on state-owned farms are more likely to be SLD supporters, as the collective farms were organized much like

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[9] The probability of person *i* voting for the UW is implicit in this specification, as $P_{i,sld} + P_{i,psl} + P_{i,up} + P_{i,cath} + P_{i,solid} + P_{i,other} + P_{i,uw} = 1$. If we define $D = (1 + e^{X_i B_{sld}} + e^{X_i B_{psl}} + \cdots + e^{X_i B_{other}})$ then $P_{i,ud} = 1/D$, $P_{i,sld} = e^{X_i B_{sld}}/D$, $P_{i,psl} = e^{X_i B_{psl}}/D$, and so forth.

[10] The questions are: 'Thinking about all different kinds of governments in the world today, which of these statements comes closest to how you feel about Communism as a form of government? Worst Form; Bad, but no worse than some; Good for some countries; Good Form; Don't Know' and 'Do you think that churches and religious organizations in this country have far too much power, too much power, about the right amount of power, too little power, or far too little power, don't know?'

state-owned firms. We also include variables to indicate whether respondents live in the home district of one of the parties' leaders or candidates to capture any localized campaign effects. Lastly, the 1997 model for the AWS and the SLD includes a dummy variable to indicate whether the respondent resides in one of the nine voivodships where Wałęsa received over forty percent of the vote in the first round of the 1995 Presidential election. The Wałęsa campaign formed an important organizational base for the Church and Solidarność trade union coalition that formed the AWS. Because of these organizational efforts voters in these districts are more likely to vote for the AWS than comparable voters in other regions. It is important to keep in mind that we are trying to capture the organizational influences that might exist in these regions. We are not simply relating individuals' 1997 vote to their vote in the previous election. The results of the statistical analysis are shown in Table 4.

Our interest is in the association between people's confidence in private firms relative to state-owned firms and their vote choices. Table 5 shows the expected difference in vote probabilities between representative respondents who don't know how much confidence they have in both private and state firms (who scored a 0.5) and ones who have a great deal of confidence in private firms but are still uncertain about their confidence in state firms (who scored a 0.83). This representative respondent is not a farmer and does not live in a rural village. (Such representative persons comprise between 65 and 75 percent of the voters in each of the surveys.)

There are a number of important comparisons in this table. Economic considerations played only a small role in the 1991 election, which was held after the start of the stringent reforms but before the full scope of their costs became apparent. Even in that election, those with more confidence in private firms were more likely to vote for the pro-reform coalition represented by the UD and KLD and less likely to vote for the SLD, the PSL, or the Solidarność Trade Union. In percentage terms among the group of representative voters, these magnitudes are a 3.2 percent gain for the UW, a loss of 1.6 percent for the SLD, a 1.4 percent loss for Solidarność and about a 1 percent loss for the PSL. The reverse differences would be true for respondents with more confidence in state firms. The relatively small differences in vote probabilities associated with differences in this attitude suggest this issue was not a particularly salient one in 1991.

Beginning with the 1993 election the differences in expected vote choices associated with different levels of confidence in private firms are fairly substantial and consistent. Respondents with more confidence in private firms were more likely to vote for the UW and less likely to vote for the SLD or the Solidarnosc Trade Union and to a lesser extent the UP. Again, if we think in terms of homogeneous groups of average voters who differ only in their confidence in private firms, the UW share is 10 and 13 percent higher in the more confident group in 1993 and 1997, respectively. The SLD share is seven and five percent lower in the two elections and the AWS share almost seven percent lower in 1997. The larger vote differences associated

Table 4. Estimated individual vote choice equations

Variable	SLD			PSL		
	1991	1993	1997	1991	1993	1997
Confid. in Private enterprise	−1.22	−2.48	−2.11	−0.46	−2.53	−1.99
	(0.54)	(0.65)	(0.49)	(0.87)	(0.73)	(0.75)
Communism	2.88	2.51	2.92	1.69	1.89	1.26
	(0.47)	(0.52)	(0.43)	(0.59)	(0.57)	(0.54)
Church power	4.45	2.74	3.92	0.86	0.56	0.97
	(0.69)	(0.62)	(0.52)	(0.79)	(0.69)	(0.74)
Private farmer	0.42	0.92	−0.65	1.85	2.30	1.17
	(0.70)	(1.14)	(0.65)	(0.54)	(1.08)	(0.65)
SOE farmer	1.11	0.37	1.13	0.56	0.13	1.49
	(0.47)	(0.61)	(0.81)	(0.57)	(0.60)	(0.84)
Village	−0.98	0.04	0.61	1.93	1.77	2.31
	(0.41)	(0.36)	(0.29)	(0.39)	(0.34)	(0.37)
Wałęsa Voiv			−0.54			
			(0.25)			
UD candidate	−0.58	−1.04	−0.40	−0.58	−1.04	−0.40
	(0.30)	(0.50)	(0.27)	(0.30)	(0.50)	(0.27)
Party candidate		0.75	0.88	2.02	1.95	0.10
		(0.58)	(0.41)	(1.20)	(0.55)	(0.86)

Variable	Catholic Parties		Solidarity		AWS
	1991	1993	1991	1993	1997
Confid. in Private enterprise	−0.48	0.11	−0.51	−2.49	−1.83
	(0.58)	(1.16)	(0.44)	(0.87)	(0.42)
Communism	0.30	−1.47	0.32	1.38	−0.92
	(0.48)	(1.00)	(0.39)	(0.70)	(0.38)
Church power	−4.89	−6.22	−1.18	−3.27	−2.66
	(0.70)	(1.28)	(0.48)	(0.94)	(0.48)
Private farmer	0.69	2.65	0.33	−0.44	0.34
	(0.54)	(1.42)	(0.46)	(1.49)	(0.59)
SOE farmer	−14.36	−3.49	0.38	0.12	0.62
	(3.56)	(5.44)	(0.40)	(0.78)	(0.77)
Village	0.21	−0.45	0.39	0.63	0.71
	(0.32)	(0.65)	(0.24)	(0.43)	(0.25)

Table 4 (cont). Estimated individual vote choice equations

	Catholic Parties		Solidarity		AWS
	1991	**1993**	**1991**	**1993**	**1997**
Wałęsa Voiv					0.44
					(0.17)
UD candidate	−0.58	−1.04	−0.58	−1.04	−0.40
	(0.30)	*(0.50)*	*(0.30)*	*(0.50)*	*(0.27)*
Party candidate					−0.07
					(0.29)

	UP			Other		
	1991	**1993**	**1997**	**1991**	**1993**	**1997**
Confid. in Private enterprise	0.40	−1.51	−2.03	−0.23	−0.65	−1.09
	(0.90)	*(0.80)*	*(0.67)*	*(0.37)*	*(0.55)*	*(0.61)*
Communism	1.17	1.12	0.96	0.17	0.57	0.72
	(0.78)	*(0.66)*	*(0.57)*	*(0.33)*	*(0.49)*	*(0.50)*
Church power	−1.01	1.21	1.38	−0.13	−0.92	−0.34
	(1.02)	*(0.77)*	*(0.71)*	*(0.40)*	*(0.46)*	*(0.65)*
Private farmer	−14.36	0.11	−0.25	0.98	1.31	0.98
	(3.56)	*(1.48)*	*(0.81)*	*(0.38)*	*(1.11)*	*(0.67)*
SOE farmer	0.52	0.06	1.07	0.25	−0.51	−0.48
	(0.79)	*(0.76)*	*(0.95)*	*(0.35)*	*(0.64)*	*(1.25)*
Village	−0.21	0.22	0.58	0.45	0.44	0.77
	(0.57)	*(0.44)*	*(0.38)*	*(0.20)*	*(0.32)*	*(0.34)*
UD candidate	−0.58	−1.04	−0.40	−0.58	−1.04	−0.40
	(0.30)	*(0.50)*	*(0.27)*	*(0.30)*	*(0.50)*	*(0.27)*
Party candidate		1.17				
		(0.63)				

with differences in this confidence variable in the 1993 and 1997 elections suggest the salience of this issue emerged during the course of the transition and that the variable is not spuriously reflecting some other difference among voters. It is significant that increasing confidence in private firms reduced the vote of the AWS more than it did the SLD in 1997, suggesting that the AWS may have been seen as even less supportive of the new private sector than the SLD among the non-farmer and non-rural respondents.

Table 5. Confidence in private firms and expected vote differences

Parliament	UW	SLD	PSL	UP	Catholic	Solidarity/ AWS	Other
1991							
Conf = 0.83	0.485	0.041	0.013	0.037	0.052	0.126	0.245
Conf = 0.5	0.453	0.057	0.014	0.031	0.057	0.140	0.248
Difference	0.032	−0.016	−0.011	0.007	−0.005	−0.014	−0.002
1993							
Conf = 0.83	0.380	0.102	0.043	0.082	0.037	0.033	0.325
Conf = 0.5	0.279	0.171	0.073	0.099	0.026	0.055	0.296
Difference	0.100	−0.069	−0.030	−0.018	0.011	−0.022	0.028
1997							
Conf = 0.83	0.394	0.140	0.020	0.052		0.291	0.104
Conf = 0.5	0.263	0.188	0.025	0.069		0.356	0.099
Difference	0.132	−0.048	−0.006	−0.016		−0.066	0.004

The coefficients on the other variables match expectations, or are not important. Those who think Communism is a good form of government are more likely to vote for one of the Post-Communist parties and less likely to vote for the UW or the right wing parties. Assessments of the influence of church organizations play a large and consistent role in people's vote decisions. (For more on the church role in 1993, see Powers and Cox, 1997.) Those who think the church has too much power are much more likely to vote for the SLD, who most strongly opposed the positions advocated by church leaders. Conversely, those who think the church had too little influence were much more likely to vote for the Catholic party in 1991, the Catholic coalition party or Solidarność Trade Union in 1993, and the AWS in 1997. Private farmers and villagers are more likely than other respondents to vote for the PSL in all the parliamentary elections. Farmers on state-owned farms are more likely to vote for the SLD in 1991, but other than that election, their vote choices are not significantly different from non-farm workers employed in other state enterprises.

7. Election returns

The second part of our analysis examines the voting returns by district in the 1993 and 1997 elections. There are two relevant questions. The first is the role played by new economic activity in building support for pro-reform parties, which will offset some of the opposition to the reforms generated by the economic hardships. This

proposition is measured by the ratio of jobs created in de novo firms to the total workforce in each voivodship. The second question is again the stability of the relationships between vote shares for each party and the variables representing the variations in preferences on the basic issues – economic reform, antipathy towards former Communist officials, and the role of the Catholic church.

The model estimated with the aggregate data is very similar to what is shown in equations 1–6. The difference is that the left-hand side variables now are the logs of a party's proportion of the votes in a voivodship divided by the UW's proportion of the vote. If we let $V_{j,x}$ denote the proportion of the votes received by party x in voivodship j, the estimated equations are:

$$\log(V_{j,sld}/V_{j,uw}) = X_j B_{sld} + U_{j,sld} \tag{7}$$

$$\log(V_{j,psl}/V_{j,uw}) = X_j B_{psl} + U_{j,psl} \tag{8}$$

$$\log(V_{j,up}/V_{j,uw}) = X_j B_{up} + U_{j,up} \tag{9}$$

$$\log(V_{j,cath}/V_{j,uw}) = X_j B_{cath} + U_{j,cath} \tag{10}$$

$$\log(V_{j,solid}/V_{j,uw}) = X_j B_{solid} + U_{j,solid} \tag{11}$$

$$\vdots \qquad\qquad \vdots$$

$$\log(V_{j,other}/V_{j,uw}) = X_j B_{other} + U_{j,other}. \tag{12}$$

This specification incorporates the constraint that the proportion of all votes in a voivodship sums to 1, $V_{uw} + V_{sld} + V_{psl} + \cdots + V_{other} = 1$. The coefficients denoted by B indicate how the votes for each party or for all other parties relative to the votes for the UD vary with X. Because they received enough votes to get seats in parliament, we include the returns for the BBWR and the KPN slates in the 1993 election and the ROP party in 1997. The estimation procedure is adapted from the seemingly unrelated regression model. (For a full description of the statistical model, see Jackson, 2002.) The estimated models are presented in Table 6.

The summary results, which we illustrate in the next section with a counter factual exercise, are that regions with higher levels of new firm and job creation return larger votes shares for the economically liberal UD+KLD pseudo-coalition in 1993 and for the UW in 1997. These votes come at the expense of both the post-Communist and right wing and trade union parties. The losses among the AWS coalition in 1997 are particularly notable. Surprisingly, the regional unemployment variable is not statistically associated with the vote shares of any of the parties and in 1993 the coefficients did not have the expected sign. This result contrasts with Fidrmuc (2000a, 2000b), who finds statistically significant associations between unemployment and voting but only a weak relationship with entrepreneurial activity,

Table 6. Estimated vote share equations

Variable	SLD		PSL	
	1993	**1997**	**1993**	**1997**
% New jobs		−2.76	−7.11	−2.22
	(2.92)	(1.13)	(2.73)	(1.75)
% Unemployed	−0.75	−0.41	0.16	−1.32
	(0.97)	(1.12)	(0.98)	(1.62)
% Jobs in SOEs	0.39	0.88	0.88	0.18
	(0.62)	(0.57)	(0.55)	(0.86)
% Farming			4.12	2.07
			(0.88)	(1.26)
% Village			1.64	3.56
			(0.54)	(0.82)
Schooling	−0.24	−0.23	−0.38	−0.30
	(0.11)	(0.09)	(0.10)	(0.13)
Wage & salary	−0.17	−0.12	−0.31	0.03
	(0.19)	(0.06)	(0.18)	(0.09)
% Age(35–59)	0.01	0.05	0.13	0.01
	(0.04)	(0.04)	(0.05)	(0.07)
Church attendance	−1.85	−1.38	−1.16	−2.09
	(0.53)	(0.51)	(0.47)	(0.64)
Priests/(Pop/1000)	−0.47	0.01		
	(0.24)	(0.18)		
Wałęsa – 1995		−0.15		
		(0.10)		
UD candidate	−0.65	−0.08	−0.65	−0.08
	(0.18)	(0.21)	(0.18)	(0.21)
Party candidate	0.68	0.09	0.99	
	(0.19)	(0.18)	(0.21)	
R-Square	0.75	0.72	0.95	0.91
	Cath	**BBWR**	**Solid**	**AWS**
	1993	**1993**	**1993**	**1997**
New jobs	−3.07	−4.22	−10.38	−3.20
	(3.62)	(2.87)	(3.17)	(1.12)
% Unemployed	−0.47	−0.93	−0.68	0.18
	(1.21)	(0.97)	(1.06)	(1.11)

Table 6 (concluded). Estimated vote share equations

	Cath	BBWR	Solid	AWS
	1993	**1993**	**1993**	**1997**
% Jobs in SOEs	−0.09	0.64	1.50	1.24
	(0.77)	(0.61)	(0.68)	(0.58)
Wałęsa – 1995				0.45
				(0.10)
Schooling	−0.11	−0.21	−0.28	−0.30
	(0.13)	(0.10)	(0.11)	(0.09)
Wages & salary	0.24	0.04	0.05	−0.01
	(0.24)	(0.19)	(0.21)	(0.06)
Age	−0.21	−0.05	−0.00	−0.17
	(0.05)	(0.04)	(0.04)	(0.04)
Church attendance	0.28	0.26	0.72	−0.07
	(0.58)	(0.46)	(0.51)	(0.47)
UD candidate	−0.65	−0.65	−0.65	−0.08
	(0.18)	(0.18)	(0.18)	(0.21)
% Village				−1.43
				(0.40)
R-Squared	0.75	0.65	0.71	0.84

	UP		KPN	ROP	Other	
Variable	**1993**	**1997**	**1993**	**1997**	**1993**	**1997**
New jobs	−6.32	−2.44	−13.85	−4.06	−6.75	−3.83
	(2.46)	(1.25)	(3.78)	(1.53)	(3.13)	(1.31)
% Unemployed	−0.12	0.04	−1.27	0.79	−0.30	−0.47
	(0.84)	(1.24)	(1.26)	(1.51)	(1.05)	(1.30)
% Jobs in SOEs	0.80	0.89	1.05	1.82	0.33	0.71
	(0.53)	(0.64)	(0.81)	(0.81)	(0.67)	(0.67)
Schooling	−0.20	−0.28	−0.06	−0.17	−0.26	−0.17
	(0.09)	(0.09)	(0.14)	(0.12)	(0.11)	(0.10)
Wage & salary	−0.01	−0.08	0.10	0.04	0.01	−0.04
	(0.16)	(0.07)	(0.25)	(0.09)	(0.21)	(0.07)
Age	0.03	−0.00	−0.03	−0.26	−0.11	−0.04
	(0.03)	(0.04)	(0.05)	(0.05)	(0.04)	(0.04)
Church attendance	−1.74	−1.49	0.35	−1.90	−1.91	−0.26
	(0.39)	(0.45)	(0.60)	(0.56)	(0.50)	(0.47)

Table 6 (concluded). Estimated vote share equations

	UP		KPN	ROP	Other	
Variable	1993	1997	1993	1997	1993	1997
UD candidate	−0.65	−0.08	−0.65	−0.08	−0.65	−0.08
	(0.18)	(0.21)	(0.18)	(0.21)	(0.18)	(0.21)
Party candidate	0.88					
	(0.21)					
% Village		−0.43				
		(0.66)				
R-Squared	0.60	0.65	0.63	0.79	0.77	0.67

particularly in 1997. His finding of a weak relationship with entrepreneurial activity is possibly due to a weak measure, which only counts the number of entrepreneurs and self-employed, not total employment. Further, for his Polish analysis this measure is the same in 1997 as in 1993, further suggesting an errors in variables problem which could help explain both differences in our statistical results.[11] We interpret the associations between unemployment and voting as suggesting that suspicion of the economic reforms and their consequences and the associated support for non-reform parties was fairly widely distributed among Poles, and only the individuals and areas with significant success in the transition supported the economically liberal parties.

Another political consequence of the economic transition is seen in the positive associations between the proportion of the non-farm workforce remaining in state-owned, restructured, or privatized firms and the vote shares of the Solidarność trade union (or its AWS coalition) and right wing parties. These associations are not surprising given Poland's unique history prior to the transition. The trade unions and their workers in the large state-owned enterprises were a key element in the Solidarność movement that led to the removal of the Communist government. (By contrast, the much smaller and Communist backed union, the OPZZ, is an important part of the SLD coalition party.) As a consequence they remained strongly anti-Communist but opposed to the liberal reforms. (Remember that members of the Solidarność trade unions withheld their support of the Suchocka government, leading to its demise and to the 1993 elections.) Thus, it could be expected that workers in these large state enterprises would support the Solidarność

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[11] An additional explanation for the difference between our and Fidrmuc's results is that he does not include a measure of church attendance in his Polish model. If we omit the church attendance variable from our model, the coefficients on the unemployment variable more closely match his results. This deletion, however, would be a serious misspecification given the salience of the church question in these elections.

party in 1993 and the AWS in 1997, as these parties were both opposed to the liberal policies as applied to the state enterprises and anti-Communist.

The other statistical results conform to expectations and are consistent with the results of the individual analyses. Church attendance is strongly and negatively related to votes for the SLD, the UP, and the PSL in 1993 and 1997. The votes for the SLD are also negatively related to the number of priests per thousand population in 1993 but not in 1997. This variable is included to represent the active opposition of the Catholic church hierarchy specifically to the SLD. This opposition was most evident in 1991 with some active opposition in 1993 and none after that.

Education levels are negatively related to the votes for all parties except the UW, though the coefficient for the Catholic coalition in 1993 is not statistically significant. These results indicate that increasing years of schooling is associated with increased vote shares for the Democratic Union/Freedom Union and that these increases are associated with decreases for all the other parties, most notably for the PSL and Solidarity/AWS. There is very little consistent association between wages and salaries and vote distributions. The associations are negative with votes for the SLD in all elections, but only statistically significant in 1997. These results suggest that income differences are not the basis for political cleavages, at least in the early stages of the transition. This may be a consequence of the fact that workers in state enterprises were consistently well paid, both before and after the transition. The variable assessing the proportion of the population between the ages of 35 and 59 is negatively associated with votes for the Catholic coalition in 1993 and for the AWS and the ROP in 1997. These were the most strongly anti-Communist of the contending parties and candidates, so this result is expected. Age is not associated with voting for the two post-Communist parties relative to the UW.

The campaign related variables have the expected coefficients. The proportions of the population that farmed and/or that lived in a rural village are positively associated with voting for the PSL, the party that specifically campaigned for more and larger farm subsidies. The only instances where these results do not agree with the individual results are the negative associations between the proportion living in villages and the votes for the AWS and the ROP in 1997. These associations were positive in the individual model and negative here. The associations between votes for a party and the voivodship being the home for its leader are all in the direction observed with the individual data, and are larger in 1993 than in subsequent years. Lastly, the voivodships that voted most strongly for Wałęsa in the first round in 1995 also voted heavily for the AWS in 1997, as observed with the individual data.

Observed collectively, the associations between the vote shares for each party in the different elections correspond closely to our expectations and to the relationships observed with the individual data. The relationships are also quite stable between the 1993 and 1997 analyses. We have included measures for the factors other than economic considerations that were important in these elections and the fact that these measures have the expected coefficients provides greater confidence that the coefficients on the economic variables are also what one should expect.

Lastly, these equations explain a high proportion of the variance in the dependent variables. This suggests that the models include most of the important factors related to these votes, lending further credibility to the results. If the coefficients on the economic variables are correct, at least within sampling variations of the true values and particularly for the de novo firm job creation, we are then in a good position to use these coefficients to explore counterfactual questions about how the results might have differed with different amounts of job creation.

8. Job creation and vote and seat shares

We illustrate the statistical result connecting voting for the liberal economic parties to the level of de novo job creation through a counter factual exercise. This exercise examines the expected change in national vote proportions for each party if there had been a 50 percent increase in the number of new jobs between 1990 and the year of the election.[12] We also then examine how the distribution of seats in each parliament might have differed as a consequence of the higher job creation.

9. Jobs and vote shares

Table 7 shows for each party their actual vote share at the national level and the expected change in their vote shares if there had been more new job creation.[13] In both 1993 and 1997 the additional de novo jobs would have added between two and a half and three percent to the vote share for the UW. The parties likely to lose votes in this scenario are the SLD and the Solidarność trade union in 1993, the AWS in 1997, and the ultra right wing parties in both elections. The SLD in 1993 and the AWS in 1997 would be expected to lose between 1.5 and 1.7 percentage points while the right wing losses varied between a half and about one percent.

The negative relationship between additional job creation and votes for the AWS and the far right as well as for the SLD is important on several grounds. The relationship between new job creation and declining support for the AWS is

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[12] This is a substantial number of new jobs, but is useful for illustrative purposes. Relatively modest increases in the rates of birth, survival, and growth of new firms could yield such an increase in the number of new jobs over four to eight years. (See Jackson *et al.*, 1997.)

[13] The methodology used for the predicted vote shares is as follows. Let $\Delta X = (X^* - X)$ be the increase in the de novo jobs as a proportion of the workforce and V_j and V_{uw} be the actual vote shares for party j and the UW, respectively. Then the expected difference in the vote share for party j relative to the UW share is given by $\log(V_j^*/V_{uw}^*) - \log(V_j/V_{uw}) = b_j\Delta X$, or $V_j^*/V_{uw}^* = (e^{b_j\Delta X})V_j/V_{uw}$, where b_j is the coefficient relating de novo job creation to the log of the ratio of the vote shares in equations 7–12. If there are J parties and we let

$$D = 1 + e^{b_2\Delta X}\frac{V_2}{V_{uw}} + \cdots + e^{b_J\Delta X}\frac{V_J}{V_{uw}}, \text{ then } V_{uw}^* = \frac{1}{D} \text{ and } V_j^* = \frac{e^{b_j\Delta X}\dfrac{V_j}{V_{uw}}}{D}.$$

Table 7. Vote shares with greater job creation

Party	1993		1997	
	Actual %	**Change %**	**Actual %**	**Change %**
UW	14.6	2.93	13.4	2.67
SLD	20.4	−1.71	27.1	−0.33
PSL	15.4	−0.34	7.3	0.23
UP	7.3	0.01	4.7	0.06
Catholic[a]	6.4	0.65		
Solidarność[a]	4.9	−0.54		
AWS			33.8	−1.44
BBWR	5.5	0.35		
KPN/ROP	5.8	−1.11	5.6	−0.53
Other	19.7	−0.24	8.1	−0.66

Notes: a. The Catholic parties joined with the Solidarność trade union to form the AWS.

consistent with the results observed with the individual data analyzed previously, lending credibility to both results. The individual and aggregate results both suggest that the growing economically liberal constituency had considerable reservations about the AWS, even more so than about the SLD. This may not be a surprise as new business creation had grown dramatically during the latter years of the SLD-led government. The result that more job creation is associated with less support for both the right and left parties has a broad and important implication. Higher rates of de novo firm creation increase the votes for liberal economic parties, which are also the most centrist parties. Furthermore, these increased vote shares come from both the left and the right parties, limiting the centripetal forces within the political structure and institutions.

10. Jobs and seat shares

Swings of a few percentage points may not seem large, but in the context of Polish elections and the electoral laws in place, these differences are significant. The important question is not just how vote shares might have changed with additional job creation, but what would have been the distribution of seats if there had been these additional jobs in new enterprises? We explore this question by assuming that de novo job creation in 1993 and 1997 is fifty percent higher in each electoral district. The coefficients relating job creation to the votes for each party are then used to predict the vote shares in each district, just as was done for the national

Table 8. Seat allocations with greater job creation

Party	Actual	More jobs	Difference
1993			
SLD	161	144	−17
PSL	128	123	−5
UW[a]	97	130	+33
UP	37	33	−4
KPN	19	10	−9
BBWR	14	16	+2
1997			
AWS	201	187	−14
SLD	164	159	−5
UW	60	81	+21
PSL	27	27	0
ROP	6	4	−2

Notes: a. This result is for the combined UD and KLD parties.

proportions above. The d'Hondt seat allocation rule, which is the rule used to allocate seats in 1993 and 1997, is then applied to these alternative votes shares to determine the expected seat allocations. Table 8 shows each party's actual seat allocations and their expected allocations with the additional job creation. Because we combined the votes for the UD and the KLD in 1993 to create a single liberal economic party and to make the analysis comparable to 1997 when they had merged, the 'actual' seat allocations in 1993 are the allocations that would have occurred had these two parties combined and received the same votes as they did running separately.[14]

The biggest change is the increased seat share of the UW, about 31 seats in 1993 and 21 seats in 1997. In 1993 these gains would have been at the expense of the SLD with smaller shares coming from the right wing KPN. The PSL is predicted to lose five seats and the UP four seats under this scenario. In 1997, the UW gains were primarily at the expense of the AWS, with the SLD losing a handful of seats and the ROP two seats.

We conclude that additional de novo job creation would have helped the liberal economic parties. It would have shifted votes and seats away from both the

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[14] This is an entirely plausible scenario, as these two parties had been closely joined in the previous government and had nearly identical platforms. Recall that they did merge shortly after the 1993 elections to form the UW.

post-Communist and the trade union and right wing parties. We saw the beginning of the evidence for this conclusion with the analysis of individual attitudes where people employed in the de novo firms constituted a strong constituency favouring private firms and voting for economically liberal parties. This section has extended this proposition to show that new job creation is linked to the actual election returns in 1993 and 1997. Finally, we can trace higher rates of de novo job creation to shifts in representation in parliament that follow from the expected vote differences. These results form the core support for our argument that a constituency supporting liberal economic policies will evolve from the new firm creation that is the key to successful economic reform.

11. Economic policy and electoral politics after 1997

The electoral landscape changed dramatically after the 1997 election victory by the AWS. The AWS/UW coalition that had governed since the 1997 election ended in August, 2000 when the UW left the government after a period of bickering over economic policy. Given the substantial differences in approach to economic policies between Balcerowicz, the UW leader, and the trade union leaders in the AWS this is not a surprise. Two months later Aleksander Kwaśniewski, the former SLD leader, was reelected President, soundly defeating the AWS leader Marian Krzaklewski and others without a run-off. The surprising second place finisher, also ahead of Krzaklewski, was Andrzej Olechowski who ran without any party affiliation. Following the election, internal conflicts permanently split both the UW and the AWS. The conflicts over economic policy that ended the AWS/UW coalition formed the basis for divisions within the parties as well. A division had always existed within the UW (and before it the UD) between more social welfare oriented leaders who were less enthusiastic about the rigorous economic reforms and the economic liberals who promoted the reforms. This disagreement finally split the party in late 2000, with the social reformers taking control. The AWS disintegrated, with the Solidarity Trade Union deciding to leave the party and two new parties forming to compete on the right wing.

In a previous paper (Jackson, Klich and Poznańska, 2003) we propose that the growth of new enterprises creates a constituency that constrains non-reform parties from undermining economic reforms in addition to supporting economically liberal parties. The political events and platforms leading to and following the 2001 election are consistent with this proposition. The advocacy of an economic development policy based on the encouragement of de novo firm and job creation was adopted explicitly by a new party, the Civic Platform (PO). The leaders of this new party are the economic liberals who left the other parties – Andrzej Olechowski, the independent candidate for President; Donald Tusk, Deputy Senate Speaker and former KLD and UW leader; and Maciej Płażyński, Sejm speaker and one of the AWS leaders. The Civic Platform's economic plan nicely fits our

proposition. In an interview in *The Warsaw Voice* (Jan. 28, 2001) Olechowski said, 'Certainly, we target the middle class and those aspiring toward membership in this class....' And later he said, '… our approach to the economy is the most compatible with entrepreneurs' needs.'

Our contention that a liberal economic constituency constrains the actions of other parties is evidenced in the platform of the SLD. In March, 2001 the party held a conference where they hoped to attract entrepreneurs and business leaders by promising to reduce red tape, taxes, and follow other policies to promote the private sector. Their statements about economic policy in the party platform issued before the election specifically mention the need to stimulate small and medium sized enterprises and to reduce tax and regulatory barriers to their growth. These are only promises, but they are promises from the party that only a decade earlier was advocating government support for heavy industry and that when they controlled the government between 1993 and 1997 was slow to promote privatization and supported wage increases for workers in state managed firms that went far beyond productivity increases and that exceeded wage increases in the private sector (Jackson, Klich and Poznańska, 2000).

These attempts by the PO and the SLD to appeal to the entrepreneurial class are particularly remarkable when set against the background of the unemployment rate. After dropping below 10 percent in late 1998, the unemployment rate was close to 16 percent in the summer before the election, which was the peak during the transition in 1992–3. But, instead of calling for more government subsidy and intervention to protect employment in older firms, both parties claimed to offer the best chance for stimulating job creation among new private enterprises. These proposals by the SLD and the PO contrast sharply with the proposals coming from the AWSP (the trade union faction of the AWS) and the right wing parties, who increased their calls for various subsidy and protection measures for domestic industries and agriculture.

The election outcome was no surprise. The SLD-UP took 41.0 percent of the votes and 216 seats.[15] The Civic Platform (PO) was second with 12.7 percent of the vote and 65 seats. There are two surprises in the election. One is that the vote shares of the AWSP and the UW, 5.6 percent and 3.1 percent, respectively, are below the thresholds required to obtain seats, which marks the likely end for both parties, and for what remains of the Solidarność movement from the 1980s. In the case of the UW it is pretty clear that the defection of the economic liberals to the PO drained the party of its strongest constituency and the remaining social liberals did not form a large enough constituency to make the party viable.

The other surprise is the success of three far right, nationalistic parties, which together got 27.6 percent of the vote and 135 seats. The SLD finished 15 seats short

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[15] In a move that surely signifies the demise of the post-Communist/non-Communist distinction as an issue for many Poles the UP, who won no seats in 1997, joined the SLD as a very minor partner further enlarging the left wing coalition.

of a majority so was forced to partner with the PSL, with 42 seats, to form a coalition government, despite the tension created by the vast differences between the two on economic issues.[16] In their actions and debates since taking over the government the SLD has promoted business creation and support for small and medium sized enterprises as means to combat unemployment and to raise the level of economic growth. They continually label a key element in their economic programme, 'Entrepreneurship Above All' (*Warsaw Voice*, Jan. 6, 2002). The SLD leaders also support a broad range of liberal economic measures such as accession to the EU. In these decisions, the SLD had taken actions closer to those the PO would propose than to those the PSL and the conservative and right wing parties want. For the most part, the SLD policies have been consistent with their pre-election platform. An exception to our proposition is the recent proposal by Grzegorz Kołodko for tax holidays and other subsidies for indebted state-owned enterprises proposed after he was appointed Finance Minister in August, 2002. His full package, however, also includes efforts to stimulate new enterprises and to aid small and medium sized enterprises. Overall, the SLD actions since returning to power are consistent with our contention that the growth and expansion of a constituency formed around the generation of new enterprises has a major impact on the politics of the post-reform parties.

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[16] None of the SLD's options received much enthusiasm, given that they did not win an outright majority. Everyone agreed that the PO was closest to the SLD on most policy issues and that there were serious differences between the SLD and the PSL and the right wing parties. Some hoped the SLD and the PO would create a grand coalition and govern from the centre. The PO felt they were better positioned to remain as the main opposition party. There was also discussion that the SLD might form a minority government and that the PO would refrain from calling for a vote that might topple the government and lead to new elections. In the end the SLD leaders opted for a return to the coalition with the PSL that governed between 1993 and 1997.

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