

## **THE RISKS OF PRIVATIZATION AND THE POLISH NOMENKLATURA: THE NEW ENTREPRENEURIAL CLASS**

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No matter how deep and serious the changes in the ideology and practice of communism have been during its more than 150-year history, it has always maintained an irreducible ideological kernel which could not be abandoned without risk of losing the movement's identity. In Marx's original concept of communism, as well as in its Leninist, Stalinist, and Maoist versions, all private capital, property, and means of production were treated as the major sources of all social evil—a tool of enslavement and exploitation of the toiling masses, a seed of injustice and inequality, and a source of alienation.

True to this faith, wherever communists came to power, they would immediately implement a radical program of nationalizing the economy. These programs served a double purpose. Nationalization would give the communist party full control of the economy and, consequently, over all spheres of social life, making possible the institution of concomitant and sweeping social reforms. At the same time, communism via the Party would fulfill the ideological promise, the long-awaited dream of abolishing exploitation of man by man by liquidating private property and private means of production.

Throughout the Soviet bloc in the wake of World War II, the private sector was crushed and eliminated in Czechoslovakia, Bulgaria, and Romania, and was drastically limited in the German Democratic Republic (GDR), Hungary, and Poland. In the countries where small, private ownership survived, it was left in residual form and given second-rate status. Small stores, artisan workshops, and peasant plots were treated as unpleasant and shameful remnants of a capitalist past which would vanish as society progressed toward the ideal socialist state. Their owners were harassed by excessive taxation and arbitrary

surtaxes, and their continued existence depended entirely on changing policies toward private enterprise and the whims of bureaucrats. This small private sector was surrounded by a tangible climate of suspicion, contempt, and illegitimacy. Official propaganda had for years nurtured the image of the private businessman, shopkeeper, and craftsman as a crook, exploiter, black marketeer, and swindler, who was, at best, "unjustly rich." In the 1950s and '60s, children of private businessmen were often barred from high schools and universities, and having a private entrepreneur in one's family could be a significant obstacle to one's Party or government career.

This hostility has not been exclusively official: it has been shared by ordinary people, many of them opponents of communist rule who have nothing in common with communist ideology and yet have accepted the values of radical egalitarianism and social justice in simplistic, populist versions. Widespread resentment, even hatred, toward those who are better off, "disinterested envy," and a popular slogan, "we all have the same stomach," are evidence of communism's only ideological victory in societies subjected to its rule.

In Poland in the late 1950s, one could observe small-scale, timid changes in the traditional communist view toward free enterprise. One of the results of political liberalization was a drastic reduction in the numbers of secret police, party bureaucrats, and censors. Many former guardians of communist morality, now deprived of their posts and privileges, succumbed to the temptations of Mammon and established small industrial enterprises, shops, and brokerage agencies themselves. Their position was far more favorable than that of ordinary private entrepreneurs and craftsmen: to obtain licenses, tax reductions, scarce raw materials, and machinery, they simply and naturally used their old connections. Moreover, it now seems that the Party authorities, silently and discreetly, fully supported these undertakings, treating them as a safe and simple safety valve to release the anger and frustrations of forcibly retired apparatchiks and as a reward for their faithful service. Such were the first sporadic and shamefully concealed beginnings.

As ideological fervor died out and a more liberal policy toward the private sector

developed, private entrepreneurship became more popular. Thanks to an early retirement program, apparatchiks, police officers, and high-level officials in the state administration would leave their careers in their prime, and move into the private sector. They did not, of course, break off their former connections and friendships and usually continued to count on the support and protection of their former colleagues. In Poland this symbiotic relationship evolved on a large scale in the 1970s and has not only survived until now, but has produced more favorable policies toward private enterprise, creating a fertile environment for its expansion and development.

But in the communist era, this was not the primary means of transforming political power into accumulation of wealth. Much greater profits could be made by not leaving the Party system, but, on the contrary, by staying in it and moving into the highest available position. In the 1970s as communist ideology lost the minimal appeal it had had among the common people, it also lost its hold on the communist power elite and auxiliary elites. While many people continued to cling to the old values of equality and social justice, the new elite coming to power in that era ingested neither these values nor the concept of public service and duty. This new generation of apparatchiks was interested first and foremost in their own material advancement, using their powerful, uncontrolled positions in the politico-economic system to achieve this desire. Greedy, conspicuous consumption was prevalent among many political and economic officials and became the typical lifestyle of the power elite and their staffs.

Oddly enough, this marriage of power and desire for wealth bore some resemblance to the feudal system where power is a direct source of wealth and where booty and tribute are usually given in kind. Indeed, some Party leaders behaved like feudal seigneurs surrounded by courtiers and not like party secretaries, city mayors, ministers, or directors of state-owned industrial complexes. The whole country was treated as an open hunting ground for spoils and riches. Luxurious villas, country cottages, and hunting lodges were built by state construction firms or by prisoners, and then handed over free-of-charge or sold at nominal prices to party secretaries, officials in the state administration, high-ranking

police officers, and others. This system of gift-giving thus endowed the Party elite with furniture, collections of antiques, works of art, clothing, foreign cars, and jewelry. A network of closed hospitals, clinics, health resorts, and special shops offered high-quality services unavailable to the average citizen.<sup>1</sup> A feudal hierarchy came into being in which the "lord" passed out goods to his "vassals" all the way down the Party's power structure to the heads of the local Party committees.

The strikes of August 1980 and the founding of the Solidarity labor union brought an end to the system of privileges. Punishing these corrupt leaders was one of the principal demands of the Polish August.<sup>2</sup> Since that time, open looting of state property, at least on such an enormous scale and with complete immunity, has not been as easy or as profitable as it once was.

Although their privileges have been abolished and "legalized corruption" condemned, little or no change has taken place in the nomenklatura's attitudes<sup>3</sup> and yearnings toward the acquisition of private property and personal wealth. In the mid-1980s, the party leadership openly and loudly proclaimed a new policy of "let's get rich!" symbolized by the nomination of a private entrepreneur, one of the richest men in the country, to the post of minister of industry in Poland's last communist government. At the same time, the important economic reforms launched at the beginning of the decade significantly liberalized the laws regulating private enterprise, introduced more favorable tax laws, and increased the number of organizational options for private ventures (joint ventures, share-holding companies, investment by foreign capital, etc.). This resulted not only in the expansion of the private sector, but also in a change in its character: next to primitive, small-scale, family-run, handicraft workshops appeared larger, more modern and sophisticated industrial and trade firms.

Another important step was the equalization of private and state sectors of the economy, leading to the erasure of the previously clear borders between them. This in turn spawned a policy of cooperation between state and private enterprises and the establishment

of mixed capital corporations. Now party apparatchiks and other members of the communist power elite were able to enter the formerly forbidden world of private business easily and safely. Many of them quickly and eagerly took this chance to create advantages popularly known as the "endowment of the nomenklatura," whose existence became one of the hottest political issues in the country.

What does this imprecise term mean? First used in political discourse and in articles written by investigative reporters, it refers most generally to the advantages the nomenklatura possesses by virtue of its members' positions in the power structure. More precisely, it encompasses the methods by which members of the nomenklatura have increased their wealth by tailoring opportunities so as to obtain property rights, take over existing state enterprises, and establish new companies which are subsequently acquired by political, administrative, or economic officials.

We will probably never know which apparatchik was the first to take advantage of the liberalized policies toward private enterprise and of his position in the power structure. There exists some evidence that the first to realize the potential for making money with the new regulations were activists of the communist youth organizations. One of the first such companies, Agrotechnika, created by the Union of Peasant Youth (ZMW), is a very good example. Agrotechnika is a stock corporation in which the majority of shares belong to the union, and some stock is owned by the top ZMW leaders.<sup>4</sup> Ostensibly, and because its shareholders are private citizens and government officials, Agrotechnika enjoys a more favorable tax status and greater autonomy. And yet, in reality, it exists in order to provide the ZMW leaders with an income far exceeding their regular union salaries. Other official youth organizations have set up similar companies formally to invest union funds, but actually to augment the incomes of their leaders.

Members of the nomenklatura who operate such companies use their political contacts extensively and try to link their firms to powerful political institutions through the overlap of personnel. For example, Agrotechnika, as well as other similar firms, employed

on a part-time basis cadre workers of the Central Committee of the Polish United Workers' Party. It is difficult to prove that this overlap brought these firms any special advantages, but one cannot but wonder about the employment of the functionaries of the (then) ruling party and doubt the honesty and clean record of these companies.

Another even more popular way to link stock corporations with the political establishment was to appoint communist officials to their boards of trustees. Thus far, no one has conducted systematic research on the composition of these boards, but judging from available evidence, the names of high party and state administrative officials constantly appear. Not everyone uses the influence of office on behalf of these companies, but the practice of including state officials in the governing bodies of companies creates an even more dubious and ambiguous situation than does the employment of party apparatchiks.

In 1988 the public was outraged by the discovery that a vice-premier of the government was a member of the board of the giant corporation, Elpol, which had a virtual monopoly in Polish electronics. Although Elpol is a state-owned corporation, and the vice-premier received no monetary compensation for this position, his presence on the board provoked open criticism and suspicion that he had used his position for the benefit of Elpol.<sup>5</sup> The vice-premier resigned under pressure, but the problem remained.

Quite often, the appointment of party and government officials to a corporate governing body has been connected with open, unabashed corruption. A secretary of a regional party committee was asked to serve on the board of a company with compensation of 100,000 zlotys per hour at a time when the average monthly salary was 45,000 zlotys. This offer was accompanied by a frank request for help in getting land on which to build the company's headquarters. This particular official refused the offer, while admitting the some of his colleagues did not have scruples like his. He knew people who sat on several such boards, but refused to speculate on how much they were paid.

By 1989 this self-aggrandizement was expanding tangibly and now openly. 1989 also

brought another wave of radical liberalization in the regulations concerning the creation and operation of share companies. These changes have by no means been all positive, but have, nonetheless, resulted in the faster growth of private enterprise. At the end of 1988, there were 572,000 private firms in Poland; six months later, their number increased by 128,000, or nearly 25 percent.<sup>6</sup> At the same time, 1,300 new state-owned companies had been started, almost doubling the number of companies controlled exclusively by the government.<sup>7</sup>

In this era, the government propaganda took a new course, encouraging Polish citizens to engage in private enterprise. Slogans urging people to get rich and to believe in "liberty, equality, and initiative" (where "liberty" meant freedom of enterprise and "equality" meant equal rights of the various economic sectors) became widespread. In a published interview that illustrated this changing attitude, the head of the secretariat of the PUWP Central Committee was asked about the phenomenon of party officials and party members becoming capitalists at the same time. He replied:

If they want to combine these two divergent ways, there is not problem—please, go ahead! Communists have the same rights as all other citizens, and to forbid them this right would be discrimination...Instead of just talking about the need to reinforce the market or to modernize the economy, many party members have decided to do something about it.<sup>8</sup>

It seems contradictory that the previously mentioned campaign extolling the virtues of "let's get rich" was launched by Poland's communist government. For the nomenklatura, this was an explicit signal that "let's get rich" also included them. And they have had the best opportunities to take advantage of this change in policy and philosophy.

Not all the nomenklatura are inflexible, close-minded bureaucrats; many have impressive managerial skills, experience, and entrepreneurial drive. But these are not their principal advantages in the race for riches. They control, directly and indirectly, the majority of state-owned enterprises and operate networks of political connections, which give them

inside information, influence, and early opportunity. With their appetites for wealth growing from income made on the side, from board appointments or part-time jobs, they began to focus most closely on property holdings. These bureaucrats were quite advantageously positioned to take over state and cooperative property because they were there right on the spot as factory managers and chairmen of cooperatives, and because they had the necessary technical and economic knowledge about business, plus a whole arsenal of options, ranging from bribery to coercion, to suppress any resistance to their plans.

A variety of means exists by which property rights can be transferred, but the two most important are management buy-outs of state-owned companies and the establishment of so-called directors' companies. Management buy-outs can be accomplished in several different ways. Sometimes a director only leases his state-owned company. A widely publicized case of this type concerned the electronics factory, Omig, in Warsaw, one of the largest producers of electronic components in Eastern Europe, employing more than 1,000 people. In April 1989 the erstwhile director of Omig obtained special permission from the prime minister to lease the factory from the state as a one-person company for the price of 20 million zlotys. The change in management and corporate control was approved by an employee referendum. Although Omig now operates as a private and not a government enterprise, it is still state property. The leaseholder is obligated to pay a 50 percent tax on company profits instead of the usual 40 percent.<sup>9</sup>

Situations like this one are not yet very common. But the Polish government's new policy of radical privatization, introduced at the beginning of 1990, may speed up the process of leasing and increase the number of buy-outs of state-owned firms, although lack of capital will be a serious obstacle.

A much more popular way for the nomenklatura to amass wealth is to transform an existing state enterprise into a stock corporation. The founder, long-time director, and current CEO of Igloopol, a gigantic agricultural and industrial conglomerate specializing in agricultural production and food processing, was once the vice-minister of agriculture and



then head of the office charged with reorganizing agricultural policy in the communist government. In April 1989 the state-owned firm was converted into a joint stock corporation which leased Igloopol from the government. The stock issue (market value) was calculated at 14 billion zlotys and divided into 280,000 shares at 50,000 zlotys each. Purchase of stock was limited solely to the current and retired employees of Igloopol; anyone leaving his job with the firm was required to sell back his shares. Anyone outside the company wishing to buy stock could do so only with special permission from the company. The whole operation was advertised as an introduction of "peoples' capitalism" to replace the discredited state economy with employee investment. And yet a close analysis revealed that only 42,000 shares, or 15 percent of the stock, were actually bought by Igloopol workers.

Who are the other shareholders of Igloopol? The list is very long and they are intertwined with other similar companies. Exactly the same amount of stock as owned by all the workers was bought by another stock corporation, Transakcja (which was two-thirds owned by the PUWP press concern, Ruch, with the remaining one-third held by the party's Academy of Social Sciences). Ten percent of Igloopol's stock belongs to the Peoples' Cooperative Enterprise, Piastpol, 50 percent of which is owned by the United Peasant Party, the PUWP's obedient coalition partner. (The National Board of the Union of Peasant Youth owns one percent of the stock in Transakcja, as does Sykomat, which is 61 percent owned by Agrotechnika, which, in turn, belongs to the Union of Peasant Youth.) An additional one percent of Igloopol stock was purchased by the agricultural cooperative, Kami, which is headed by the former CEO of Agrotechnika. Two former chairmen of the board of Agrotechnika have 34 and 5 shares, respectively, in Transakcja, to boot.<sup>10</sup>

Igloopol is an excellent example of the "collective endowment of the nomenklatura." Under the cover of "peoples' capitalism," more than 30 percent of the stock went directly and indirectly into the hands of the PUWP and the United Peasant Party. The participation of officials of the party and party agencies in the stock corporations and the creation of their own companies became especially significant when the Mazowiecki government abolished

all subsidies for political organizations in late 1989. Government subsidies had been the principal source of funds for political organizations.

According to the most recent information, not only the Party's central authorities, but also its regional committees, have taken advantage of the newly liberal economic policy in order to build up a solid economic base so as to compensate for their loss of state subsidies. The build-up of companies serving as a source of funding for the party budget is only one way of augmenting income. The most widespread means of extra compensation for the nomenklatura is the so called "director's company," established either as a subsidiary of a state or cooperative enterprise or jointly created by several firms.

In these cases, too, the existence of the company is justified by a social aim. Often the justification is to subsidize the local sports club sponsored by the firm. For many years, these clubs were financed directly from the companies' budgets, but the new economic policy has made this impossible, severely undermining the financial foundation of many of these sports clubs.<sup>11</sup> Sometimes the companies invest in housing projects for their employees, so one can often find housing cooperatives among the various shareholders. For example, 5 percent of Igloopol stock was purchased by a housing cooperative affiliated with it.

As a rule, a stock corporation is created by an existing company and its top management. The firm usually contributes some physical assets, such as machinery, buildings, storage space, etc., and the participating directors contribute the capital. The income of the company is divided according to stock ownership. Often the newly created company can be a dummy corporation for the mother firm, as in the following example.

A cement factory set up a stock corporation, Erma, as an outlet to sell the factory's products. The cement factory turned over warehouses and other facilities necessary to sell cement and its by-products, powdered gypsum and limestone. The market value was figured at 5,200,000 zlotys, divided into 52 shares worth 100,000 zlotys each. The local sports club got 12 shares; the cement factory, for its material input, got 6; and the remaining 65 percent

of the stock was bought by the director of the cement factory, the secretary of the factory party committee (who was also elected chairman of the board of trustees for Erma), the deputy directors, and other members of the factory management. Erma buys cement from the mother factory at 15,500 zlotys per ton and sells it at 18,500 zlotys straight from the factory's warehouse. Because there is the severe shortage of construction materials, the factory is able to sell its product at any price to grateful customers. Erma is a typical parasitic structure, created ostensibly to help finance the sports club, but its real function is to assure ample incomes for the factory management.<sup>12</sup>

In other cases where companies are set up by a number of state enterprises, the process is more or less the same. The ship machinery manufacturing plant Towimor, merged with a stock corporation, Tormex, set up by the Regional Union of Housing Cooperatives and a construction company called SPB. For 5 shares (out of a total of 33), Towimor conveyed to Tormex its construction department, complete with personnel and machinery. The publicly stated purpose of the new company was the production of thermostats and other energy-saving construction materials. These goods were never actually produced, but Towimor ordered various construction jobs from Tormex, among them the construction and equipment of a large fitting shop. The reason for this subterfuge becomes clearer once it is understood that 13 of the 33 shares in Tormex were purchased privately; all four directors of Towimor were buyers.<sup>13</sup>

In yet another instance, a state-owned company contracted with a subsidiary company to overhaul its construction machinery. The subsidiary hired the employees of the mother firm to do the overhaul job on overtime. The company charged the parent organization 8.5 million zlotys for the contract.<sup>14</sup>

We can multiply these examples ad infinitum, but those already described should give the reader a clear idea of how the companies are organized and how they operate. But what in fact is wrong with this, why should this enrage the public?

To some extent, the public reaction is purely emotional. The link between a party/government position and wealth is a sensitive issue in Poland and the other East European societies partly because of widespread egalitarian values and susceptibility to populist slogans. Even more, however, the nomenklatura retains no legitimacy since the total defeat of the communists and their allies in the June 1989 elections. The prevailing attitude is that "they do not deserve it," that "they have not earned it." Apart from this sense of injustice, there are legal and economic reasons that make the present state of affairs is undesirable.

The first accusation raised against the apparatchiks is that they can buy into state companies or their stock at below market prices. Currently there is no viable market for the means of production in Poland. Even today, under the economic reforms instituted, the distribution of means of production is handled by bureaucratic agencies. Prices of goods have been determined by administrative decisions and not by supply and demand. The value of the assets of state-owned enterprises, as documented in their records and files is, as a rule, well below their real value, based first on the output capacity of these companies, and not on supply and demand.

The buyout mechanism is very simple and highly lucrative. Inside trading is easily managed and usually completely legal. The managers of the state company put an extremely low, but officially sanctioned, value on company assets, and then acquire it at this bargain price. In the case of the cement subsidiary, Erma, the factory's 6 shares, worth 600,000 zlotys, were the equivalent of three average monthly salaries. At this kind of price, the director of a factory can buy the same amount of stock as the factory's share for only two months' worth of his income.

This last case is certainly not the most dramatic one. The coal mine, Manifest Lipcowy, built a 200-room hotel with a current market value of at least 7.5 billion zlotys. The hotel was leased to a company whose net worth is only 0.7 percent of the hotel's value.<sup>15</sup> The critics of the nomenklatura's built-in advantage for investment rightly point

out that even a small enterprise has assets worth several billion zlotys. The opportunity for management to buy out their own firm at such prices is unrealistic. When an affordable transaction occurs, it means that either the firm was sold for well below its value or was bought by a dummy corporation for some other company.<sup>16</sup>

Almost the same situation exists in leasing. The leaseholder should in principle provide material guarantees to secure the interests of the owner, be it private or, in the case of leased state-owned concerns, the Treasury. In practice, however, the lease deposits, when compared to the value of the leased company, are purely symbolic.<sup>17</sup> And the deposits required cannot be increased, as those who lease state factories do not have the capital.<sup>18</sup> Consequently, as concluded by Zbigniew Gorski, "buying or leasing an enterprise always means getting enormous wealth for a token price or lease deposit."<sup>18</sup>

The second accusation against the nomenklatura is its closed, elitist proximity to investment opportunity. If the newly established companies were required to go public with their shares and sell them on an open stock market, problems of both price and access would be solved. But until now, there has been no stock market in Poland. Any stock, at such a bargain price was readily passed from hand to hand among the top management of the corporations, their patrons and clients, local officials, and family members. The top jobs in a new stock corporation were generally occupied by directors, deputy directors, party secretaries, chairmen of workers' self-management councils, and other senior officials of the mother company. According to the General Control Office, a majority of stock corporations had a large overlap in personnel between the state enterprise and the private company. The government managers have been buying into companies with their own capital and/or assume the highest offices.<sup>19</sup> According to reliable estimates, more than half of the executives of the state-owned concerns have shares in stock corporations or are members of the managing boards or boards of trustees.<sup>20</sup>

In the midst of popular anger and criticism of the self-enrichment of the nomenklatura, some observers manage to see a few positive aspects to these corrupt

practices. First, the opportunities to acquire property have consumed the nomenklatura, keeping them more interested in stock, leases, and buyouts than in political power. Paradoxically, those in the political establishment who became involved in these corrupt, or at least morally dubious, arrangements may become a powerful pro-reform force. They may seek to develop an economic system in which their companies will prosper, and thus, in a strange way, corruption may aid conversion to a market system.<sup>21</sup>

Jerzy Baczynski, in his report on the accumulation of the nomenklatura's wealth, bluntly wrote: "I cannot see a better way to deal with the nomenklatura than to allow them to take such compensation (as property rights)...Expropriated nomenklatura could be very dangerous, but quiescent with money, [they] assume a human face."<sup>22</sup>

There are other reasons to look favorably at the nomenklatura. Although they have been shaped by a centralist, bureaucratic, hierarchical, communist, power structure, some of them are talented and possess entrepreneurial spirit. Many joined the party because for years any position of responsibility required party membership. Of course, some of them will not be able to adjust to the rules of a free market, and they should be kept as far away as possible from managing the economy. Others, in spite of bad habits acquired under a command-redistributive system, have rich experience, and it is doubtful whether their replacements will guarantee better performance. Introduction of a full-scale market economy will quickly verify their skills.

What is more, the nomenklatura may become a part of a new entrepreneurial class because of their capital and the ability to invest. Although the origin of new firms and the source of their capital may be suspect today, with the passage of time, these companies will come to be regarded as normal and decent, an integral part of the market economy. This view is shared by Jadwiga Staniszkis who calls the practices of the nomenklatura, "political capitalism," and believes that they will play an important role in capital formation in Poland. She goes further than even the most ardent supporters of the nomenklatura, arguing that in face of complete bankruptcy of the state, new capital should be formed at state

expense.<sup>23</sup>

At the same time, there is unanimous agreement that some legal regulations and limitations must be introduced in order to halt the most blatant abuses of law and political position. It seems that in view of the great agitation of public opinion, the parliament will soon take care of this problem. Legal regulations should eradicate the most scandalous aspects of the nomenklatura's endowment, while free market mechanisms eliminate those who achieved economic success only thanks to their position in the political hierarchy. In this way, able apparatchiks who understood and manipulated the regulations can be turned into efficient "entrepreneurchiks."<sup>24</sup>

## NOTES

1. About "legalized corruption," see Jacek Tarkowski, "Centralized System and Corruption: The Case of Poland," in The Asian Journal of Public Administration, Vol. 10, No. 1, (June 1988).
2. Neither the "legalized corruption" nor the violent reactions of the population against these practices was a Polish specialty. Polish nomenklatura could not equal the exploits of Brezhnev and his cronies and the cronies of these cronies. The scale and character of legalized plunder in the USSR, revealed during Gorbachev's anti-corruption campaign, far outdistanced the most extravagant accomplishments of the Polish leaders. The open contradiction between officially proclaimed ideals and corrupt behavior of the leaders evidently lay at the roots of the recent upheavals in East Germany (USA TODAY, 8 December 1989).
3. Originally nomenklatura meant simply a list of offices which could not be filled without approval and consent of the proper communist party committee. In everyday parlance, it refers to the people who hold nomenklatura offices. It can be identified with the broadly understood power elite or "political class" in communist countries.
4. According to the most recent information, 99 percent of stock belongs to the Union and one percent to the former chairman of the National Board of the Union (Gazeta Wyborcza, No. 22, 7 July 1989).
5. J. Chlopecki, "Znieslawienie vicepremiera," Prawo i Zycie, 9 July 1988.
6. Gazeta Wyborcza, 8 August 1989.
7. J. Baczynski, "Okazja czyni spolke," Polityka No. 50, 16 December 1989.
8. Kronfrontacje, No. 3 (15), March 1989.
9. J. Baczynski, "Wladza dla Ogrodzkiego," Polityka No. 12, 25 March 1989. See also: S. Greenhouse, "A Thorny East Bloc Issue: Replacing Hated Managers," New York Times, 12 December 1989.

10. Interview with the chairman of "Igloopol" Company, Przegląd Tygodniowy, No. 21, 21 May 1989; J. Wilczek, "Jak "Igloopol" stal sie spolka," Polityka, No. 22, 3 July 1989; D. Fikus, "Kto wykupil akcje 'Igloopolu,'" Gazeta Wyborcza, No. 22, 7 July 1989; L. Konarski, "Debica S.A.," Przegląd Tygodniowy, No. 41, 8 November 1989.
11. This is the reason sport clubs are so often stock holders in various companies. The local sport club owns 15 percent of "Igloopol" shares. In the case described below, the sport club has 25 percent of the stock of the "Erma" company.
12. J. Wilczek, Paragraf 52, Polityka, No. 30, 7 July 1989. These procedures are very popular. In another case, a quarry merged with a company called "Matbud" which was supposed to help the quarry increase its production. In fact it did start to sell the quarry products. It prepared invoices and sent them to the customers, but increased the prices by 36-40 percent as a charge for its services. (J. Baczynski, op. cit., Polityka, No. 50, 16 December 1989.)
13. A. Szmak, "Punkty odniesienia," Przegląd Tygodniowy, No. 9, 16 February 1989.
14. K. Milewska, "Co ty jest patologia?" Zycie Warszawy, 6 December 1989.
15. J. Baczynski, op. cit., Polityka No. 50, 16 December 1989.
16. Z. Gorski, "Miliarderzy z nominacji," Przegląd Tygodniowy, No. 35, 11 August 1989.
17. The leaseholder of "Omig" paid 20 million zloties as investment capital into his one-person company. It is probably a fraction of the actual value of the enterprise. (J. Baczynski, op. cit., Polityka, No. 12, 25 March 1989.)
18. Z. Gorski, op. cit.
19. J. Baczynski, op. cit., Polityka, No. 50, 16 December 1989.
20. Tygodnik "Solidarność", No. 23, 10 November 1989; Nowy Dziennik, 29 November 1989.
21. J. Tarkowski, "Old and New Patterns of Corruption in Poland and the USSR," Telos, No. 80, Summer 1989, pp. 60-61.
22. J. Baczynski, op. cit., Polityka, No. 50, 16 December 1989.
23. J. Staniszkis, "Gesty jako argumentacja," Tygodnik "Solidarność", No. 26, 1 December 1989.
24. I owe this term to Reiner Nick, who used it in his comments on the early version of this paper, presented at the conference of the IPSA Research Committee on Political Finance and Political Corruption, held in Kazimierz, Poland, in May 1989.