

# Market economy system in poland

[Finance](#), [Market](#)



Which one of them is the most efficient and effective? What is capitalism? Is it better than communism? I am going to be analyzing Poland and its economy. What kind of economies the country went through. Is Poland's economy transition from communism to capitalism successful or not? What Poland is doing right and what is it doing wrong. What needs to be done and fixed and maybe what other countries should learn from one of the biggest countries in Europe. Economic system What is economic system?

An economic system is comprised of the various processes of motivating and organizing labor, distributing, producing, and circulating of the fruits of human labor, including tools, machines, products and services, consumer goods, and other technology to future production, and the infrastructure through which circulation, production and distribution occurs. All of these processes are over determined by the environmental, cultural and political conditions. Economic systems mainly deal with the relationships between production (supply) and consumption (demand).

What is being produced has to be consumed and what is being consumed has to be produced. In the world there are four main types of economic systems. Traditional economy, command economy, market economy and mixed economy. Every single one of them has its advantages and disadvantages, strengths and weaknesses. Traditional economy system Traditional economy system is when the goods are shaped by traditions, beliefs, customs and habits. This economy system is very constant and comprehensive and greatly manifest highly developed economy. Family or a community usually makes main economic decisions.

It promotes cooperation and harmonious relationship. It supports people with equal possibilities to practiced working with other people harmoniously and with complete cooperation. A traditional economy is more of producing goods along with essential services that would greatly help for the survival their needs effectively without affecting the environment and nature.

However, traditional economy is pretty vulnerable. People in the traditional economy system are not highly specialized in living a good, wealthy life.

Also, there is a capability to change.

All the aspects that were just taught by some of their ancestors would be the only important things that people would be using and they will no longer adopt new aspects in the society for their improvements. Farming, herding cattle and hunting are the bases of traditional economy. Most countries that used to have a traditional economy system have replaced it with a command economy, market economy or mixed economy. Nevertheless, it is still can be found today in agricultural, underdeveloped parts of Africa, Asia and South America. Command economy system Command economy system is when the government is in charge.

Central authority determines what goods should be produced, how much should be produced and it also sets the price that is going to be offered for sale. The control is very centralized. There is no tolerance for initiative.

Probably the biggest advantage of command economy system is that it can prevent abuse of monopoly power. Also, command economies can prevent mass unemployment, often a feature of capitalism economies. Centrally

planned economies are great at monopolizing economic resources very quickly, effectively and on a large scale.

They can execute massive projects, create industrial power and achieve imperative social goals. This kind of economies is also very good at wholly transforming societies to adjust to the planner's vision. However, there are many disadvantages. One of them is that command economies can be very bureaucratic with decisions held up by planning and committees.

Government agencies usually have very poor information about what they should produce. It is very centralized economy system. And centralization means that decisions are made by people who have no access to what is actually happening.

Command economies very often produce goods that are not useful at all. Instead of leading to efficiency, command economies often produce too much of the thing and not enough of another. Centrally planned economies also have a hard time producing the right exports at global market prices. Also, command economies are often associated with the political system of Communism. The most frequently referenced examples of command economies are North Korea, China, Cuba, Iran and the former of Soviet Union. Short introduction to market economy system

Market economy system is, strictly speaking, an economy in which prices of things are freely set based on the laws of supply and demand, unfettered by interference from a government. Basically, the free market makes all the economic decisions. They buy goods at the highest possible price that the consumers are able to pay. And the workers bid their services at the highest

possible wages. System relies on the consumption choices of consumers.

Mixed economic system The last one of the four main types of economic systems is mixed economic system.

It includes both socialism and capitalism. This kind of system allows a level of private economic freedom in the use of capital, but also for governments to interfere in economic activities in order to achieve social aims. Mixed economies as an economic ideal are supported by people of various political persuasions, such as social democrats or Christian democrats. The economic freedom side includes privately owned industry for reasons including individual freedom, economic efficiency and the insensitive to innovate provided by competition.

Producers and consumer have dominance to choose what to produce and what to consume but production and consumption of harmful goods and services may be stopped by the government. Monopolies may be existing, but under close administration and supervision of the government. Mixed economy allows individuals to run their business and make profits but at the same time it places some responsibilities on these companies by inducing them to contribute towards the welfare of society.

However, under mixed economy private enterprises have to deal with a lot of difficulties because of miscellaneous government loopholes like favoritism and bureaucratic nature, which is prevalent in mixed economy. While a mixed economy can lead to incredible results, it can also suffer from similar downfalls found in other economies. As for example, the last hundred years in United States of America has seen a rise in government power. Not only in

dictating laws and regulations, but also in actually gaining control, becoming more and more difficult to access while simultaneously becoming less flexible.

This is a very common tendency of mixed economies. It is well known that mixed economy like socialist and capitalist economies has both weak and strong points, advantages and disadvantages and for that reason it will be always debatable whether a country should follow mixed economy structure or it shouldn't. Nowadays, there are a lot of examples of mixed economies, such as The United States of America, Canada, Australia, Germany, United Kingdom, Japan, Italy and so on. In real life, it depends how a mixed economy is managed.

Even the most enthusiastic market economists argue we need a degree of government intervention- if only to protect private property. A market economy is one in which overwhelmingly the largest part of economic activity is organized by private individuals, entrepreneurs, for personal profit. Such entrepreneurs are private citizens, not government employees. It is very similar to a free market, it is capitalistic economic system in which there is free competition and prices are determined by the interaction of supply and demand. The government meddling in the market is very minimal.

Businesses can decide which goods to produce, and consumers have the right to decide what to produce, in what quantity, and at what price it is going to be sold. Market economies can also be called free economies, free markets, or free enterprise systems. The most important and main

characteristics and aspects of a market economy are its decentralized and flexibility. One of the main features of market economy is private property. Most of the services are owned privately. Freedom to choose. No matter who you are you are completely free to purchase, sell and produce miscellaneous goods in a free market.

The forces of competitive pressure keeps prices balanced, and guarantee that goods and services are provided most efficiently. Because of law of demand as soon as demand increases for some specific item, the prices rise. The force of competitive pressure also applies to workers, who are constantly competing with each other for the best workplace and the highest-paying jobs. It also applies to consumers, who are competing for the best quality product at the lowest possible price. A market economy is entirely dependent on an efficient market.

All the buyers and sellers have equal access, and the same information upon which to base their decision and conclusion. The main role of government is simply to assure that the markets are open and they are working. Also, it makes sure that everyone has equal access to all of the markets. The government is in charge to make sure no one is illegally manipulating markets, and that all information is distributed equally. Success of the countries practicing free market is only conspicuous with the growth of the Scandinavian countries, Germany, France and of course the United States of America.

Nowadays, in our world the greatest challenge is to find a way to change communism with capitalism. The main questions are; how fast the inflation

should be controlled? When should currencies become freely convertible? How can foreign finance help? In 2008 we went through economic crisis. A lot of people were talking and predicting the end of the market economy system. It was highly recommended to exit from the fatalism, purportedly accountable not only for the current financial and economic disaster, but also for the demolition of the environment.

Economist believed that we must embrace new models of capitalism. Capitalism unmanaged and unregulated, consequences can be extremely calamitous for the economy. There is no limit to knowledge in the production of wealth, as it relies on creativity, imagination and the development of new technologies. Industrial capitalism generating endless material growth is antagonistic with the long-term viability of the planet and it bound to decline, as natural resources are increasingly insufficient. Environmental degradation is closely associated with industrial growth.

The deterioration of the environment through depletion of resources such as air, soil and water; the destruction of ecosystems and the extinction of wildlife. One of the biggest challenges of capitalism is international migration. About 180 million people worldwide live outside their country of birth. Immigrants are motivated to leave their native countries for a variety of reasons, including a desire, or simply the wish to change one's surroundings. All the cross border movements of population tend to trigger protectionism and anti immigrant political reactions.

Big cons of capitalism are monopoly power and monopoly power. Firms with monopoly power can escapade their position to charge higher prices. Lack of



competition may lead to poor level of service, which means that consumers may be charged high prices for low quality goods and services. Firms with monopoly power can pay lower wages to workers. Also, they may care less about working conditions because workers don't have many alternatives to the main firm. However, there are a lot of pros of capitalism. Firms in a capitalist based society face incentives to be efficient and produce goods, which are in demand.

Economic freedom helps political freedom. By enabling people to cooperate with one another without coercion or central direction, it reduces the area over which political power is exercised. In capitalism economies consumer always has a choice. Individuals can choose what to consume and produce, and this choice automatically leads to more competition and better products and services. Everyone has a free opportunity to better themselves. A competitive market helps to keep cost lower for the consumer. Anyone with a good idea, some kind of investment, hard work, enough passion and enthusiasm can become rich.

Though, some people say that capitalism only makes rich people even richer and poor people even poorer. Economic Transformation in Poland In the 1990's Poland experienced large changes in the financial position of the general government as the economy underwent upheavals that led to its 1990 economic transformation program. Economic transformation in Poland is a result of the fall of the communist system and of the growth and spread of liberal capitalism. Centrally planned economy systems transformed into a

market system. The main and the most important duty for the new government was to make " Billionaire's Plan" a laity.

The fundamental idea of the strategy was to fight with inflation, because back then the inflation was just hyper. It resulted in liberalizing of the domestic prices, sharpening a new financial policy towards the already existing companies. Also, it has been extremely far reaching, and actually has been pretty widely recognized as a model for the reforms in the former of Soviet Union and other parts of Eastern Europe. Even though we are mainly focusing on economic side but the truth is that the hardest part of the transformation is not economics, but the politics.

The great task is to try their best to follow the path of reform in the face of inevitable anxieties and demagogues ready to seek political power by playing on the public's fears. Poland's goal was to be like the states of the European Community. Poland's drastically radical reforms started from the fall of the communist regime. Minister Paleozoic and his whole team confronted a legacy of communism that was adverse in almost all dimensions. The economy was reeling from a profound financial crisis, building into hyperinflation. Far reaching transformation changes were making the economy stabilize.

So the borders of the country became open to the global markets. The whole process of the famous economic transformation was established on the basis of new legal regulations. The main priority became private ownership. Many companies became self-dependent, which as a result stimulated the free market competition. The bank system and the monetary credit policy finally

faced thorough changes and reforms. All of the actions guided to the formation of the capital and labor markets. Because of lack of theoretical and practical research, as well as practical experiences Poland was on an extremely risky path.

At the beginning of the nineties, none of the countries in the world was implementing such radical changes in its political and economic system. The transformation in Poland introduced many regulations; a new financial system was built from the beginning, also the framework for a functioning market economy was built. Significant changes took place in the reference to the structure of economy and the level of its innovation. The monetary policy gave the Polish economy results in gradually decreasing inflation rate and the strong currency.

As you can imagine the process of economic transformation also became a source of many serious problems. There were problems with ineffective and controversial prevarication and bureaucracy. Also, the rise of unemployment, unequal incomes and bankruptcy of many enterprises. But of course, it is normal. No matter what you do you can't have everything and anything in the world. There has to be some sort of sacrifices. Just like opportunity cost. You lose something taking one option over another. Nonetheless, the transformation in Poland is still not complete yet. Overall, the transformation has been more positive than negative.

Poland has established itself as one of the most successful transition economies. With stable economic growth, low inflation, low government spending and pro-free market government in place, Poland today is

considered one of the strongest economies in European Union. The country has made a lot of progressive moves towards free market structures and it is expected for it to continue positive economic growth in coming years. To stay on track Poland is constantly dealing with common macroeconomic challenges, such as keeping inflation under control and of course continue financing its large current account deficit.

It is all closely connected to maintaining a business-friendly environment. Sweeping structural reforms are under way, covering decentralization, taxation, education, labor, pensions, prevarication and healthcare. The transition from communism to capitalism was made pretty quickly. Time, because literally millions of them are sprouting and developing. The Pollard's currency zloty has become one of the strongest currencies in the whole world. Which helped to tame the inflation. Situation analysis of Poland Poland has the sixth-largest economy in the European Union.

According to the Central Statistical Office of Poland, in 2010 the Polish economic growth rate was 3.9%, which was one of the best results in the whole Europe. It is expected to grow 3.7% in 2015 and 3.9% in 2016. Poland was the only country in European Union not to fall into recession at the height of the global financial crisis in 2009. Also, it was the only member to experience economic growth in 2010. Pollard's economic freedom score is 67.0, making its economy the 50th freest in the 2014 index. The unemployment in 2008 was 7.12%, in 2009 it was 8.7%. In 2010 it raised up to 9.64%, which was pretty high jump. Then in 2011 it slightly decreased to 9.63% and it kept increasing until 2013. In 2014 unemployment level

decreased to 9.5%. It is predicted that the unemployment rate with the plan that Poland has right now, is going to be decreasing more and more every single year. Economic growth slowed markedly in 2012 and 2013. Poland's GDP has grown on average by 4% since 2004, when the country joined the European Union. General GDP growth declined from 4.5% in 2011 to 1.9% in 2012 and 1.0% in 2013 within slowing domestic demand. At first Poland thrived even during the financial crisis, but the economy has slowed abruptly on the past couple of years. Poland's inflation rate has a lot of ups and downs. In 2001 it was 4.2% and in 2004 it decreased to only 1.1%. In 2008 it rose up to 2.5% and in 2009 decreased to 1.2%. All the capitalistic economies will always have to fight and manage inflation rate. Because it is very common in free market economic system. Until 2008 Poland's economy has grown approximately by 5%. The country enjoyed 3% growth in 2009.

The statistics of Poland's economy shows that market economy system is very far from perfect and that it needs a lot of managing to do. Although, we don't really know how difficult the country's situation would be right now if it would have stayed the same when it was communistic. All we can say that going from communism to capitalism was extremely helpful for the country. Because of transition to capitalism today Poland is one of the most capitalist countries in the whole Europe. The country must try to raise productivity by liberalizing the labor market, cutting red tape and making agriculture competitive.

Knowing that Poland is a really brave country, which is not afraid to take serious risks I think it will find its way to stay as one of the biggest

economies in Europe and I believe that with time it is going to grow even bigger and more powerful. Ever since the transition from unionism to capitalism the country has been growing in every single way. Even the small negative changes don't seem that big knowing how far Poland has come. Capitalism is perfectly working for Poland. It was invented because all the other economic systems, throughout history, haven't been successful.

Capitalism promotes freedom and choice through competition. Poland developed a capitalistic system for very good reasons- it works better than any other system. Even though capitalism is not perfect and there have been not only ups but also downs in the Poland's economy, it still works the best for the country. The ideology of communism says freedom. Everybody wants independence. In order to improve yourself you have to feel some kind of competition. And in communism you can't really do that, because all the people work together as equals. Nobody can have more than anyone else.

Even if you have money, you cannot buy what you want, because you have to be the same as everybody else. In communism economies government is in charge of basically everything. I think a lot of people agree that communism kills individuality. There is no space for creativity or improvement. So how can a country grow when there is no freedom. The idea of communism to eliminate the gap between the rich and poor was good, but the truth is that everybody is way too different to do the same things. Some people are smarter than the others and some people work much more than others.

So I think it is right to have a capitalistic society and economy system.

Because it gives the possibility for smart, hard working people be more than

an average person and have more than an average person. We all have 24 hours in a day but it depends on us how we spend them. Capitalism allows us to be whomever we want. Capitalism should exist as long as someone else comes up with a better economy system. Today, it is obviously the best economy system in the world. Because all the countries that had a transition to capitalism from some other economy system are really growing and doing better than ever.

**Conclusions and recommendations** All the countries with market system always have to keep their eye on the inflation rate and do all the things possible to avoid it. Inflation is the result of state intervention into the free market for money. It is like a hidden tax that robs you of the value of your money before you have a chance to spend it. One of the solutions to inflation is to establish free banking. In my opinion Poland should really avoid sharp declines in long-term growth potential resulting from the aging of society and the decreasing returns of its current catching up growth model.

Even though Poland economy's fundamentals are still pretty good, but the poor demography of the country can bite very soon. Poland should be really aiming to lure back talented emigrants, because even today some employers can't find the workers they are looking for. Poland is in a desperate need of transport infrastructure, because supposedly it would help with labor market flexibility, knowing that employees would mind it easier to commute. The big problem is that working-age population is slowly but surely shrinking. Poland has pretty low birth rate and emigration is keep getting higher and higher.

Especially of the young and talented people, because they think that they will be more valuable in some foreign country than in the one that they were born. It is recommended that both women and men should have the same retirement age. The pension age should rise quicker than it was planned. Overall, I think that Poland is one of the biggest economies for a reason. The inflation rate is one of the lowest in the whole European Union. Looking back when Poland had the communist economy system a lot of things have been changed.

A lot of problems have been solved and it also seems that people overall are much happier right now than they were before. Everyone is independent. The society is democratic and everyone can have their own opinion. Every single person living in Poland has the Summing up everything, I think that it is basically impossible to have a perfect economy system, because just like everything else it will have its advantages and disadvantages. No matter what economy system you choose it is going to be very strong at some points, but also it will have its own weaknesses.