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WARSAW RISING: THE WARSAW STOCK EXCHANGE A SUCCESSFUL MODEL FOR TRANSITION ECONOMIES

Success is not final; failure is not fatal:
It is the courage to continue that counts.
Winston S. Churchill[1]

1. INTRODUCTION

The Global Financial Crisis, and subsequent Global Recession have severely wounded, and to some extent crippled, the financial infrastructure of many countries. Arguably, the most vulnerable countries that have struggled to regain some measure of stability are transition economies[2] because of the vulnerability of transition economies; they lack the anchoring of developed domestic industries or governmental acumen in providing access to capital to stabilize the domestic economy.

As a result, economic and financial crises can be devastating for such transition economies. It is often true that economic crises often serve to catapult fundamental institutional paradigms to shift towards more positive, and innovative measures such as new governance structures, policies, and enhanced business regulation[3]. However, for transition economies the challenge to create innovative economic development programs, and business opportunities for domestic indus-

[1] Sir Winston Churchill, British Prime Minister during World War II, at http://thinkexist.com/occupation/famous_prime_ministers/.

[2] M. Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*, Cambridge 2002.

[3] L. Pierre Louis, G. Fernandez Evangelista, *Cooperative Banking: A Means of Sustainable Development in the Barcelona Housing Market*, Revista de Derecho Urbanistico y Medio Ambiente, Barcelona 2015, p. 323.

tries are exceedingly difficult. And, at times insurmountable. However, when a particular transition economy, which was completely destroyed by the invading Nazi Army approximately 75 years ago, painstakingly rebuilt every cobbled street, every garden, every tea shop in its historic Old Town section; as a living testament to a culture's unwavering will to survive, the world takes notice. Warsaw, Poland is such a transition economy.

Warsaw has one foot firmly planted in its breathtaking history of incomprehensible violence, and survival despite insurmountable odds, and another foot tentatively planted in a hybrid governance structure; one that is heavily influenced by eastern-styled protectionist policies while simultaneously infused with western-styled capital markets access and a thriving tourism industry throughout its historical cities from Warsaw to Krakow to Gdansk. The result is an entrepreneurially driven economic structure which has intentionally steered away from the traditional neo-classical economic philosophy. Poland instead has implemented a new governance structure that:

– relies on domestic ownership of large domestic companies;

– has the ability to access international capital markets through the lure and presence of multinational American, and European banks without depending on foreign capital funds; and

– encourage entrepreneurship by implementing interventionist, and protective governmental policies.

2. EAST CENTRAL EUROPE'S OLD WORLD IDEOLOGY AND GOVERNANCE MODEL

European political economy literature prior to the 1970s reflected governance structures that favored neo-Keynesian, and "liberal Keynesianism"[4] policies such as public spending and demand-side policies rather than currency devaluations or protectionist trade policies[5]. The interesting factor concerning the old world political ideology is the "enduring strength of neoliberalism which is so impressive"[6]. Some scholars have noted the remarkable "resilience" of neo-liberal ideas

[4] J. Pontusson, D. Raess, *How (and Why) is this Time Different? The Politics of Economic Crisis in Western Europe and the United States*, Annual Review of Political Science 2012, No. 15, pp. 13–33.

[5] S. Haggard, *Politics in Hard Times Revisited: The 2008–9 Financial Crisis in Emerging Markets*, (in:) M. Kahler, D. A. Lake (eds.), *Politics in the New Hard Time*, Ithaca 2013, pp. 52–74.

[6] W. Grant, G. Wilson, *Introduction*, (in:) W. Grant, G. K. Wilson (eds.), *The Consequences of the Global Financial Crisis: The Rhetoric of Reform and Regulation*, Oxford 2012.

in the wake of the 2008 Financial Crisis[7]. However, recent studies have shown that the governments in East Central Europe ("ECE") countries primarily in Poland, Hungary, Slovakia, and the Czech Republic have begun to jettison the traditional neo-liberal policy for interventionist policies that are strikingly similar to East Asian countries' state-led development strategies[8] with a twist. In particular, Poland has fully embraced the westernized capital markets and financial services sector. It has successfully used the international capital markets and international commercial lending to stabilize Poland's domestic economy, and create select opportunities for foreign investment in Poland's transition economy.

Ironically, the ECE countries were "global leaders in the adoption of neo-liberal ideas and policies during the 1990s and 2000s"[9]. During that time, the ECE countries were heavily influenced by the European Union, international financial institutions such as the International Monetary Fund (IMF), the World Bank, and western multinational companies (MNCs), which strongly encouraged the ECE governments to focus on attracting foreign direct investment[10]. The capital that the ECE governments accumulated from foreign direct investment was used to modernize their manufacturing and financial industries[11], which greatly benefitted the western countries whose own manufacturing sectors had been in a steady state of decline, in part, due to increase labor costs, and enhanced health and safety regulations in western countries.

It was during this period of western influence that many of the ECE countries' largest state-owned enterprises were privatized, and sold to foreign "strategic investors, primarily Western European MNCs"[12]. Unfortunately, as time progressed, for most ECE countries that had engaged in wholesale privatization, western MNCs became the ECE economies' leading form of enterprises[13], especially for countries who had engaged in wholesale privatization of state-owned enterprises such as domestic banks. The ECE governments' heavy dependence on foreign capital and technologies, led some countries to become "dependent

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[7] V. A. Schmidt, M. Thatcher (eds.), *Resilient Liberalism in Europe's Political Economy*, Cambridge 2013.

[8] M. Orenstein, *Reassessing the Neo-Liberal Development Model in Central and Eastern Europe*, New York 2013 (*citing* Poland as the East Central Europe's largest country, economy and most innovative business oriented governance structure).

[9] *Ibidem*, p. 74.

[10] N. Bandelj, *From Communists to Foreign Capitalists: The Social Foundations of Foreign Direct Investment in Postsocialist*, Princeton 2008.

[11] J. Drahokoupil, *Globalization and the State in Central and Eastern Europe: The Politics of Foreign Direct Investment*, New York 2009.

[12] D. Bohle, B. Greskovits, *Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe*, West European Politics 2006, No. 30 (3), pp. 443–466.

[13] D. Bohle, B. Greskovits, *Capitalism without Compromise: Strong Business and Weak Labor in Eastern Europe's New Transnational Industries*, Studies in Comparative International Development 2006, No. 41 (1), pp. 3–25.

market economies" with a "competitive advantage in the assembly of goods such as cars or consumer electronics"[14]. However, such strategies did not encourage the development of domestic industry or entrepreneurship for the ECE countries. Poland would become one of the few exceptions.

The Polish Government did not engage in the wholesale privatization of its state-owned enterprises. In contrast, the Polish Government continued to retain, and increase significant equity positions in a number of large domestic companies, primarily financial services, and industrial corporations during the 2008 Financial Crisis[15]. Poland began its transition towards a market economy in the early 1990s. It required an overhaul of the legal framework, and regulations governing commercial transactions[16]. By early 2000, Poland had adopted a new Code on Commercial Companies (CCC). Unfortunately, EU member states began to implement tougher corporate governance procedures, primarily in response to the corporate scandals involving Enron, Adelphi, WorldCom, and Kmart that had occurred in the United States. As a new member of the EU, Poland had to implement European law into its domestic laws. The newly minted CCC did not survive the scrutiny. It was abolished a few years later.

Poland soon realized that it had to forge a new governance model in order to create development and growth opportunities that would sustain Poland's rise in to the global economy. The Polish Government made choices that differed from the existing development model that the IMF, the World Bank, and EU member states had recommended. Poland's singular focus was on making Polish companies sustainable players in the international capital markets without depending on international funds or international control of major Polish companies. This strategy proved to be life-sustaining for Poland's transition economy during the 2008 Financial Crisis, and the Global Recession.

Prior to the 2008 Financial Crisis, certain Polish companies had begun to implement strategic anti-takeover provisions in their corporate charters because there was a general sense of malaise within the Polish business community that western MNCs were attempting to gain ownership and control of Polish companies. In 2004, PKN Orlen, the largest Polish oil refiner and petrol retailer, was one of the first Polish companies to implement an anti-takeover poison pill strategy[17]. The measures were designed to insulate Polish companies from foreign control. It also to a large extent, protected Polish companies from the 2008 Financial Crisis

[14] A. Noelke, A. Vliegenthart, *Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe*, World Politics 2009, No. 61, pp. 670–702.

[15] Warsaw: Platforma Obywatelska, *Program PO: Polska zasługuje na cud gospodarczy* [*PO's Program: Poland Deserves an Economic Miracle*] 2007, p. 21.

[16] K. Oplustil, A. Radwan, *Company Law in Poland: Between Autonomous Development and Legal Transplants*, (in:) C. Jessel-Holst, R. Kulms, A. Trunk (eds.), *Private Law in Eastern Europe, Autonomous Developments or Legal Transplants?*, New York 2011.

[17] Polish News Bulletin, *Orlen Oil Giant Limits Voting Rights for Shareholders*, June 29, 2004.

because Polish companies, and domestic markets were not as dependent on international capital markets, and international lending as other members of the ECE countries or EU member states.

3. GLOBAL FINANCIAL CRISIS STRENGTHENS WARSAW'S PROTECTIVE GOVERNANCE MODEL

The 2008 Financial Crisis revealed many truths. Arguably, the most daunting truth was the level of vulnerability that was systemic within the westernized development model of "privatization of state-owned banks and dependency on foreign capital"[18], which was imposed on transitional economies. The subsequent Great Recession was instrumental in the collapse of several ECE countries' export markets, in part because of weakened domestic banks, and the inability of domestic banks to access the international capital markets. It became clear that excessive dependence on foreign capital threatened the survival of ECE countries' financial, and economic development[19]. The ECE countries' domestic banking structure was heavily interlinked, and to a large extent dependent on large western international banks that are based in the original 15 EU member states and the United States.

For example, by late 2007 approximately 75% of ECE countries' banking assets were controlled by primarily foreign Western European banks. In contrast, approximately more than 80% of the original EU 15 member states' banking assets were controlled primarily by the original EU 15 member banks[20]. The ECE countries' banks' status as subsidiaries of MNCs gave the ECE countries' banks easy access to foreign liquidity. Unfortunately, the vulnerability of such a dependent system became apparent when West European governments, and regulators began to place pressure on EU member banks to focus their lending in the domestic markets. The result was deleveraged (reduction of) lending to foreign markets including their ECE countries' foreign-subsidiaries. It was an immediate withdrawal of international liquidity from ECE countries, and freezing of the credit market in the ECE countries[21]. The impact was devastating.

[18] M. Orenstein, *Out of the Red: Building Capitalism and Democracy in Post Communist Europe*, Ann Arbor 2000.

[19] D. Bohle, B. Greskovits, *Capitalist Diversity on Europe's Periphery*, Ithaca 2012.

[20] R. Epstein, *The Social Context in Conditionality: Internationalizing Finance in Post Communist Europe*, Journal of European Public Policy 2008, No. 15 (6), pp. 880–898.

[21] R. Epstein, *Central and East European Bank Responses to the Financial 'Crisis': Do Domestic Banks Perform Better in a Crisis than their Foreign-Owned Counterparts?*, Europe Asia Studies 2013, No. 65 (3), pp. 528–547.

In contrast, during the 2008 Financial Crisis and Great Recession, the Polish Government still held substantial equity positons in a number of large financial and industrial Polish companies[22]. The Polish Government was able to eject liquidity into the domestic markets, and provide flexible credit terms to Polish companies. As a result, Poland was able to withstand, and thrive during the 2008 Financial Crisis when many other ECE countries were crippled by the weight of debt, and inability to access the international capital markets for much needed liquidity and credit.

Interestingly, Polish companies were able to withstand the aftermath of the 2008 Financial Crisis, in part, because many of the largest Polish companies had implemented anti-takeover defense strategies that limited ownership interest in Polish companies to 10% for any single foreign investor inclusive of its subsidiaries before the crippling effects of the 2008 Financial Crisis could take a foothold in the Polish economy. However, the Polish State Treasury, Poland's primary agency responsible for overseeing the privatization of Polish enterprises, was not subject to the 10% restriction, which meant that the Polish State Treasury could purchase, and hold as large an equity position as it was able to purchase on the Warsaw Stock Exchange. Much of the money for the Polish State Treasury's purchase of the domestic stocks came from allocations of the EU Fund for Central Eastern Europe Countries. Poland received sizable funding allocations from the EU.

By 2009 at the height of the 2008 Financial Crisis, the Polish Government began to strongly encourage Polish companies to implement western anti-takeover defenses such as the poison pill strategy to protect the ownership interests of Polish companies that wish to remain Polish owned and controlled. For example, one of the first companies to adopt the poison pill strategy was Bank Pekao SA, Poland's second largest bank, and the subsidiary of the Italian group Unicredit[23]. It is within this context that the State Treasury began to collaborate with the management of state-owned enterprises to introduce anti-takeover defense provisions into Polish companies' corporate charters. The synergy between the Polish Government and the business community worked extremely well. Influential persons within the Polish business community began to express strong pro-Poland sentiments that Polish company ownership should remain within Polish hands; phrases such as "our state-owned firms are chickens that lay golden eggs"[24], and "state-owned, but modernized itself, just like Brazilian, Chinese and Indian firms"[25].

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[22] M. Naczyk, *Budapest in Warsaw: Central European Business Elites and the Rise of Economic Patriotism since the Crisis*, SASE 26th Annual Conference, July 2014.

[23] G. Garcia, *Inter-State Banking in the EU and the U.S.: Similarities, Differences and Policy Lessons*, Oxford Business & Economics Conference, June 2007.

[24] *Tu i teraz Tuska* [*Tusk's Here and Now*], Gazeta Wyborcza, August 5, 2010.

[25] *Forum Ekonomiczne w Krynicy: Fuzje i prywatyzacja szansą na rozwój* [*Krynica Economic Forum: Mergers and Privatization, a Chance for Development*], Rzeczpospolita, September 10, 2010.

This resulted in several large Polish companies modifying their corporate charter to prevent controlling-share ownership by foreign investors.

For example, the board of directors of Polish insurance company, PZU, the largest insurance company in Poland, had little difficulty "adding to [their] articles of incorporation something that in the West is called 'poison pill,' a pill that one cannot swallow or, in other words, that prevents a hostile takeover of PZU"[26]. Similarly in 2010, the Warsaw Stock Exchange introduced the poison pill strategy into its own corporate charter. Presumably, the modification was necessary in "order to protect its role in promoting Warsaw as an international financial center[27]. Soon afterwards, in 2011, PKO BP, Poland's largest bank, and PGE, Poland's largest power company implemented poison pill strategies in their corporate charters to thwart anti-take-over efforts by foreign investors[28]. The following year in 2012, Poland's largest gas company, PGNIG; oil company, Lotos; and chemicals conglomerate, Grupa Azoty, all adopted anti-takeover defense strategies to prevent control of the companies by foreign investors. The result, Poland's largest companies had made it impossible for any foreign shareholder to have more than 10% controlling interests in arguably the most powerful Polish companies. The stage was set for Poland to implement the next stage of its new governance model; embracing the international capital markets, and enhancing its securities regulation laws to stabilize and attract foreign investment in the companies listed on the Warsaw Stock Exchange.

4. WARSAW'S NEW GOVERNANCE MODEL SUPPORTS ACCESS TO INTERNATIONAL CAPITAL MARKETS

The governments of ECE countries have to a large measure adopted a hybrid East-West governance structure to provide support for emerging industries, and converted outdated industries into modern industries. For example, the Hungarian Government has adopted "unorthodox" policies that moved away from the traditional practices, and have challenged the core elements of the neo-liberal creed, including central bank independence, and attracting foreign direct investment[29].

[26] *Interview, Andrzej Klesyk z PZ gościem*, Radio PiN, April 1, 2014, at http://www.bankier.pl/wiadomosc/PZUzostanie-sponsorem-stadionu-narodowego-2316934.html (visited June 18, 2015).

[27] M. Naczyk, S. Domonkos, *The Global Financial Crisis and Changing Coalitional Dynamics in East European Pension Politics*, 2014, p. 27, at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2549715.

[28] R. Epstein, *Central and East European Bank…*, pp. 528, 534–535.

[29] J. Johnson, A. Barnes, *Financial Nationalism and its International Enablers: The Hungarian Experience*, Review of International Political Economy, 201, No. 22 (3), pp. 535–569.

The Polish Government has introduced mechanisms that protect several of Poland's largest domestic companies from hostile takeover bids. It has also tried to increase the market share of banks controlled by domestic capital. The Polish Government has introduced elements of a state-coordinated industrial policy; it decided not to adopt the ideology of MNCs. Instead, the Polish Government used MNCs to provide the capital needed for development of domestic industries without becoming dependent on MNCs' financing[30].

Since 2007, Poland has been ruled by a "coalition government" which has traditionally defended liberal economic policies[31]. As the 2008 Financial Crisis reached the ECE countries, the Polish Government tried to distance itself from other ECE countries, and was successful in negotiating special "flexible credit line" with the International Monetary Fund for strongly performing economies like Poland. The Polish Government's focus was to "strengthen Poland's role as a pillar of stability" in the region[32]. Poland has been the only EU member state to sustain the global impact of the 2008 Financial Crisis by not experiencing a domestic recession. It is a fact that the Polish Government is extremely proud; it has voiced its strategic governance model by repeatedly stating that Poland had remained a "green island on a red background of falling GDP"[33]. The Polish Government has heralded its success in maintaining growth as being attributable to its "common sense" rather than to the "pseudo expertise" of "doctrinaire economists'" policies[34]. Certainly, the Polish Government's perspective of a strong, and thriving Polish economy is adequately captured in statements such as "[T] here will come a day – when we will succeed – that we will have Budapest in Warsaw"[35].

Poland's success can be measured in terms of performance. A comparison performance of the Warsaw Stock Exchange to the Prague Stock Exchange unequivocally indicates that the Warsaw Stock Exchange has consistently outperformed the Prague Stock Exchange based on the sheer number of listed companies, and volume of trades from 1995–2006.

The Prague Stock Exchange attempted to tighten listing requirements to drastically decreasing the number of listed firms in order to increase the quality of the firms listed relative to their market capitalization. As a result, the market capitalization of firms listed on the Prague Stock Exchange have been higher in comparison to the Warsaw Stock Exchange. The Prague Stock Exchange has

[30] *Ibidem*, p. 28.

[31] R. Markowski, *The 2007 Polish Parliamentary Election: Some Structuring, Still a Lot of Chaos*, West European Politics 2008, No. 31 (5), pp. 1055–1068.

[32] *Poland to Ask IMF for Flexible Credit Line*, Associated Press, April 14, 2009.

[33] *Polska liderem Europy* [*Poland, European Leader*], Rzeczpospolita, December 1, 2009.

[34] *Tu i teraz…*

[35] *Wieczór w PiS: Ponuro i smutno* [*Election Night at PiS: Grim and Sad*], Rzeczpospolita, October 10, 2011.

approximately 32 firms listed compared to the Warsaw Stock Exchange, which has approximately 384 companies. Yet, the market capitalization per capita is still higher in the Czech Republic compared to Poland[36]. The Prague Stock Exchange has roughly $7,000 USD of equity for every Czech resident whereas the Warsaw Stock Exchange has roughly $5,000 USD of equity for every Polish resident, which as a mathematical calculation simply reflects that the Czech Republic is not as densely populated as Poland.

As the ECE countries discovered, one of the benefits of stock markets is that they give companies access to the capital markets for companies to raise money very inexpensively and quickly. The Czech market had hardly any initial public offerings (IPOs) in the mid-2000s. As a result, the Czech companies had to go elsewhere for funds. Many of the Czech companies, and many other companies throughout the ECE countries went to Poland. "The regulated Polish stock market grew faster, maintained greater liquidity, and has been a better source of capital for firms than the less regulated Czech [stock] market"[37]. Additionally, many ECE companies that were successful in originally raising money in the Warsaw Stock Market through an initial public offering, returned to the Warsaw Stock Market for second and third rounds of capital financing. As a result, "the Polish data show[s] rapidly growing equity financing by both new [companies] and [previously] listed firms"[38].

5. THE WARSAW STOCK EXCHANG'S CORPORATE GOVERNANCE STRUCTURE SERVES AS A SUCCESSFUL MODEL FOR TRANSITION ECONOMIES

The primary purpose of stock markets has been to raise capital for companies. An attendant result of raising capital is the emergence of corporate governance structures that are driven by the market for managerial talent (skilled labor), and the market for corporate control. For transition economies, the primary purpose has often been to allow state-controlled enterprises to privatize. As such, stock market driven measures assume the role of corporate governance without first being the source of investment capital[39].

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[36] E. E. Stringham, P. Boettke, J. R. Clark, *Are Regulations the Answer…*, P. Boettke, J. R. Clark, *Are Regulations the Answer for Emerging Stock Markets? Evidence from the Czech Republic and Poland*, The Quarterly Review of Economics and Finance 2008, No. 48, pp. 541–566, 548.

[37] E. Glaeser, S. Johnson, A. Shleifer, *Coase…*, p. 892.

[38] *Ibidem*, p. 897.

[39] *Ibidem*, p. 892.

The Warsaw Stock Market has often been referred to as a successful model for transition economies to implement. The success of the Warsaw Stock Market, to a large extent is, in part, due to Poland's strictly regulated capital market, and enhanced securities regulation structure. The legal framework that Poland has implemented to attract foreign investment is a much more complicated structure than other ECE countries have implemented. The heightened level of securities regulations has provided stability and integrity, which have attracted foreign companies to be listed on the Warsaw Stock Exchange, and foreign investors to provide capital to companies that are in need of financing. The Polish Government's efforts to stabilize the Warsaw Stock Exchange is in tandem with the historical literature that the emergence of a stock market requires the state to play a significant role promoting, creating, and sustaining order in the stock market[40].

The market capitalization of the firms in the International Finance Corporation Investable Index illustrated that the Polish market vastly outperformed the Czech market. The International Finance Corporation Investable Index is only composed of stocks that have a "legal and practical availability to foreign institutional investors", and must "meet the more stringent size and liquidity screens"[41]. In a robust stock market like Warsaw, listed companies are required to have strong corporate governance structures that are in compliance with the Polish Government's securities regulations reporting, disclosure, and dispute resolution mechanisms, if the companies wish to remain listed on the Warsaw Stock Exchange.

Interestingly, when the companies are state-owned they do not have to raise capital to attract foreign investors. They only need to implement a corporate governance structure that meets the "legal and practical availability for the foreign investors". It is the beauty of privatization. The corporate governance structure adopted is based on the circumstances of the particular market economy. To be fair, foreign investors do not expect that the newly created stock markets in transition economies to have the same corporate governance structures of developed markets, rather the corporate governance structures adopted should reflect the transition economies' values[42]. However, at a minimum foreign investors do expect that the corporate governance structures implemented in transition economies should provide stability, legal, and practical availability to foreign institutional investors for investment dispute resolution.

[40] B. Black, *The Legal and Institutional Preconditions for Strong Securities Markets*, University of California Law Angeles Law Review 2001, No. 48, pp. 781–855; X. Zhang, *Financial Market Governance in Developing Countries: Getting the Political Underpinnings Right*, Journal of Developing Societies 2006, pp. 169–196.

[41] E. Stringham, P. Boettke, J. R. Clark, *Are Regulations the Answer…*, p. 547.

[42] A. Santomero, *Design of Financial Systems and Economic Transformation*, (in:) J. Doukas, V. Murinde, C. Wihlborg (eds.), *Financial Sector Reform and Privatization in Transition Economies*, Bingley 1998, pp. 153–174.

6. RECOMMENDATION

Securities laws and regulations implemented by the Polish Government provide a sense of integrity to foreign investors of a strong corporate governance structure and regulation. The securities laws provide foreign investors seeking new markets in which to invest, the indicia of political and economic stability, and integrity based on the effective implementation, and enforcement of securities regulations in transition economies. It is a model that can be successfully replicated in transition economies in Eastern Europe.

As such, governments of transition economies should consider implementing critical elements of effective securities regulations that are crucial to foreign investors implementation of strong corporate governance procedures for listed companies that are in compliance with government regulations, appropriate financial disclosures, effective financial reporting requirements, enforcement of securities regulation violations, and investment dispute resolution processes. The corporate governance structure adopted is based on the circumstances of the particular market econom. The corporate governance structures adopted should reflect the transition economies' ideals and standards. The Warsaw Stock Exchange has effectively implemented all of the critical elements that provide foreign investors with the sense of economic, legal, and structural stability, and integrity in the Warsaw Stock Market and its listed companies. As a result, the Warsaw Stock Exchange serves as a successful model for transition economies.

7. CONCLUSION

Stock market exchanges in transition economies typically fail. The failure is, in part, due to weak or non-existing securities regulations in the transition economy. The Warsaw Stock Exchange is the exception. The Warsaw Stock Exchange serves as a successful model for newly created stock exchanges in transition economies. The Polish Government implemented strong securities laws to attract foreign investors. Large Polish companies implemented anti-takeover provisions in their respective charters. As a result, Poland's strong securities laws, and the Warsaw Stock Exchange listed companies' requisite compliance with government mandated corporate governance protocols provide a sense of legal, political, and economic stability to foreign investors that are seeking to invest in developing markets.

Each Eastern European country's transition economy has its own story of failure or prosperity. Few Eastern European countries have a history that includes attempted annihilation by invading armies within the immediate past. Even fewer have a story of survival, and exponential growth that can replicate the success of Warsaw, Poland. The success of the Warsaw Stock Exchange is a testament to the will and spirit of a people to survive, and rise victorious from the ashes.

WARSAW RISING: THE WARSAW STOCK EXCHANGE A SUCCESSFUL MODEL FOR TRANSITION ECONOMIES

Summary

Stock market exchanges in transition economies typically fail. The failure is, in part, due to weak or non-existing securities laws in the transition economy. The Warsaw Stock Exchange is the exception. The Warsaw Stock Exchange serves as a successful model for newly created stock exchanges in transition economies. The Polish Government implemented strong securities laws to attract foreign investors. Poland's strong securities laws and the Warsaw Stock Exchange listed companies' requisite compliance with government mandated corporate governance protocols provide a sense of legal, political, and economic stability to foreign investors that are seeking to invest in developing markets.

WARSZAWA POWSTAJE: WARSZAWSKA GIEŁDA PAPIERÓW WARTOŚCIOWYCH JAKO PRZYKŁAD DO NAŚLADOWANIA DLA GOSPODAREK PRZEJŚCIOWYCH

Streszczenie

Wymiana papierów wartościowych w warunkach gospodarki przejściowej zwykle napotyka na różne wyzwania. Trudności te są częściowo spowodowane słabym lub w ogóle nieistniejącym prawem papierów wartościowych. Warszawska Giełda Papierów Wartościowych jest wyjątkiem. Służy ona za modelowe rozwiązanie dla nowo tworzonych giełd w gospodarkach przejściowych. Rząd polski wprowadził konsekwentne i spójne prawo papierów wartościowych, aby zachęcić zagranicznych inwestorów do inwestowania w Polsce. Polskie prawo papierów wartościowych i firmy notowane na Warszawskiej Giełdzie Papierów Wartościowych, od których wymaga się ładu korporacyjnego, zapewniają poczucie stabilności prawnej, politycznej i gospodarczej inwestorom zagranicznym, którzy zamierzają inwestować na rozwijających się rynkach.

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