CONSTITUTIONAL FOUNDATIONS OF THE MARKET ECONOMY. ADMINISTRATIVE LAW ISSUES OF ECONOMIC FREEDOM

Dr. habil. Henryk Nowicki, University Professor

Department of Environmental Protection Law and Public Economic Law, Faculty of Law and Administration, Nicolaus Copernicus University in Toruń, Poland e-mail: henryk-nowicki@wp.pl; https://orcid.org/0000-0003-0392-2433

Dr. Krzysztof Kucharski

Department of Environmental Protection Law and Public Economic Law, Faculty of Law and Administration, Nicolaus Copernicus University in Toruń, Poland e-mail: krzysztofkucharski@umk.pl; https://orcid.org/0000-0003-0528-3962

Abstract. The subject of analysis of this article is the public-legal construction of economic freedom in the context of its basic function which is the realisation of a constitutionally regulated economic system. The detailed objective is to undertake a reconstruction of the freedom of economic activity in the light of theory and public law, to which the freedom in question first of all belongs. The object of research will be its subjective and objective scope. The basic research methods will be the dogmatic and historical-legal method.

Keywords: Constitution of the Republic of Poland, economic system, economic freedom, restriction of rights and freedoms, Entrepreneurs' Law

INTRODUCTION

When defining the economic system of the Republic of Poland, the constitutional legislator indicated, *inter alia*, freedom of economic activity as one of the basic principles of that system. Alongside this principle lie several others, but freedom is of fundamental importance also with respect to them. Thus, for instance, private property can be fully functioning and enjoyed only by entities which are free within the meaning of the legal system. The remaining principles

¹ Article 1(4) of the Act of 29 December 1989 on amending the Constitution of the People's Republic of Poland (Journal of Laws No. 75, item 444), the existing provisions of the Constitution were amended, introducing new content to Article 6: The Republic of Poland guarantees freedom of economic activity regardless of the form of ownership; restriction of this freedom may be effected only by statute.



of the Polish economic system, for the functioning of which the freedom of entities constituting that system is indispensable, should be understood in a similar light. However, freedom, in this case understood as the freedom to undertake and carry out economic activity, is not an unlimited principle. The first limitation stems from the principle of a democratic state of law, which indicates the primacy of legal norms and the obligation of entities undertaking and conducting business activity to abide by these norms. Thus formulated legal norms should first of all be understood as general rules binding entrepreneurs. At the same time, the constitutional legislator introduces a norm, pursuant to which restrictions on economic freedom may be introduced by way of «ordinary» laws. However, such limitations must result from the need to protect the public interest.

In the authors' conviction, the freedom of economic activity is, without deprecating other constitutional components of a given economic system, in particular private property, of fundamental significance for the functioning of the economic system. The ownership right constitutes the object of protection of other regulations of the Constitution. In turn, economic freedom has been regulated in a positive way only in Article 20 of the Constitution of the Polish Republic.² Other regulations of the Constitution provide for the scope of its permissible limitation (e.g. Article 22, Article 17(2)). Hence, its special role in shaping the economic system. In market economy conditions, its correct reconstruction is a sine qua non condition for the proper functioning of the market economy. Therefore, it is justified to undertake research in this field. The aim of the article is to reconstruct the freedom of economic activity in the light of theory and public law, to which this freedom belongs in the first place. The subject of the research will be its objective and subjective scope. In order to realise the thus defined object of research, appropriate research methods have been adopted, which are to lead to the achievement of correct analysis results. In the first place the dogmatic method will be applied. Based on this method, the norms of public law, mainly of a material legal nature, will be analysed. To the extent required for the fulfilment of the aim of research undertaken in the article, the historical-legal method has been used. However, owing to numerous transformations of regulations, as well as of the socio-economic sphere, the historical-legal analysis indicates universal features of economic freedom, also in periods when it was not directly expressed in the system of law.

1. CONSTITUTIONAL DEFINITION OF THE ECONOMIC SYSTEM

While determining the political system of the Republic of Poland, the Constitutional legislator singled out the economic system³ as one of the political

² Journal of Laws No. 78, item 483 as amended.

³ Of primary importance in the scope of the analysed topic is Article 20 of the Constitution,

foundations of the State. The constitutionally determined economic system is a consequence of the previously adopted model of the market economy based on the principle of freedom of economic activity. The adopted solutions were in essence a return to the functioning of the economic system in the interwar period, which was founded on the principles of a market economy with particular emphasis on the principle of economic freedom and protection of property rights. Notwithstanding the fact that the provisions of the Constitution of 1921 referred only in a very general way to the foundations of the economic system,4 its development was provided for by the provisions of the Industrial Law.⁵ Pursuant to the disposition of Article 3 of the Industrial Law, the conduct of economic activity was free and allowed to everyone, and limitations to this freedom could stem only from statutory provisions. Therefore, already in that period, the overriding value of the economic system was the principle of freedom, the restriction of which could take place only in cases specified in statutory provisions. With the change of the political system in the second half of the 1940s, solutions characteristic of a centrally planned economy were adopted, with state ownership of entities undertaking and conducting economic activity being dominant.⁶ In that economic system the principle of freedom was abandoned in favour of the broadly understood regulatory function of the state, the restriction of ownership rights through nationalization processes and the domination of economic activity carried out by the state in the form of state-owned enterprises. It was not until the reforms of 1981–1982⁷ and the reforms of 1988⁸ that the legal foundations of the economic system proper to the market economy, for which freedom is a fundamental value, were gradually restored [Szydło 2005, 1ff].

in the text we will also refer to other provisions of the Constitution that relate to the analysed research problem.

⁴ Act of 17 March 1921, the Constitution of the Republic of Poland, Journal of Laws No. 44, item 267, particularly the provisions of Article 3 (statutory definition of duties), Article 99 (protection of the right to property) and Article 101 (freedom of choice of gainful occupation).

⁵ Regulation the President of the Republic of Poland of 7 June 1927 on Industrial Law, Journal of Laws No. 53, item 468 as amended.

⁶ See the provisions of the decree of 1 October 1947 on the Planned National Economy, Journal of Laws No. 64, item 373 and the decree of 26 October 1950 on State Enterprises (original text Journal of Laws No. 49, item 439).

⁷ Acts reforming the economic system include: Act of 25 September 1981 on State Enterprises (original text Journal of Laws No. 24, item 122); Act of 26 February 1982 on Social and Economic Planning (original text Journal of Laws No. 7, item 51) and Act of 26 February 1982, the Banking Law (Journal of Laws No. 7, item 56).

⁸ The first legal act to be mentioned is the Act of 23 December 1988 on Economic Activity (original text Journal of Laws No. 41, item 324).

2. JURIDICAL CONSTRUCTION OF THE FREEDOM OF ECONOMIC ACTIVITY

The subjective substrate of the constitutional principle of freedom of economic activity is an open category. It covers all entities known to the system of Polish law. Therefore, they include natural persons, legal persons, and so-called entities without corporate status. However, the above determination does not limit the field of discussion regarding at least two issues. The first one, necessitating elaboration in the context of the subjective substrate, is the problem of the positive participation of public entities freely undertaking and performing economic activity.

State subjectivity in the sphere of economic activity is identified with the State Treasury and its organizational units. The State Treasury, as a public legal person of a special kind, constitutes the material and organizational basis for undertaking economic activity by the state [Radwański 2007, 190–92]. However, there is no legal possibility for the State Treasury to undertake economic activity directly. Admittedly, systemic regulations, including the Constitution of the Republic of Poland itself, do not expressly stipulate the above prohibition, but the legal status and systemic position speak in favour of denying the State Treasury legal capacity in the sphere of the direct undertaking and performance of economic activity. The above view has its basis in Article 218 of the Constitution, which indicates the need for statutory definition of the organization of the Treasury and the manner of management of Treasury assets. Therefore, the legislator currently defines the issues related to the conduct of Treasury business activity in the acts in question. On the other hand, there are no doubts about the legally permissible possibility of the undertaking and carrying out of economic activity by state enterprises, the so-called state companies and other state legal persons established to manage the property of the Treasury.¹⁰ For the purposes of this article, following a functional and subjective criterion, the group of the above-mentioned entities will be referred to using the working term [Jakimowicz 2013, 51] – state enterprises.¹¹ The entities indicated above base their legal capacity in the sphere of economic activity on constitutional grounds other than economic freedom.

⁹ See e.g. Act of 19 October 1991 on the Management of Agricultural Property of the State Treasury (Journal of Laws of 2020, item 2243); Act of 16 December 2016 on the Principles of State Property Management (Journal of Laws of 2020, item 735); also Act of 25 September 1981 on State Enterprises (Journal of Laws of 2020, item 1644 as amended).

¹⁰ The topic of economic activity of local government units was intentionally omitted in the article. The scope of this issue, due to its complexity requires a separate study. It should be emphasized, however, that some issues raised in the question of the subject and object scope of freedom of economic activity will also refer to the subject matter excluded from the study.

¹¹ More broadly see Grzegorczyk 2012, 15ff.

The constitutional basis for undertaking economic activity by public enterprises is primarily Article 2 and 20 of the Constitution of the Republic of Poland. In the case of public enterprises established on the basis of state property, such basis will also be Article 218 of the Constitution. The norm contained in the above provisions indicates the need to take into account social justice in the state's activities and, in the dimension of a market economy, the need to realize the objectives of social policy. Therefore, the state is responsible for shaping the social order, including the economic dimension. The undertaking of economic activity by public enterprises is one of the direct forms of the state's influence on the social order [Ogonowski 2012, 223]. The engaging in economic activity by public enterprises is of a purely instrumental nature and serves the effective implementation of tasks arising from Article 2 and 20 of the Constitution. This represents a signum specificum of economic activity undertaken by public enterprises. It results from the fact that the basic aim of undertaking economic activity, in the case of entrepreneurs other than public ones, is profit-oriented.

Another systemic basis for undertaking economic activity by public enterprises is the principle of subsidiarity. The said principle has not been explicitly articulated in the provisions of the Constitution. An expressis verbis reference to this principle is found in the preamble to the Constitution. Regardless of the discrepancies in the assessment of the legal nature of the preamble, it should be stated that the entire constitutional regulation rests on this principle. According to the principle of subsidiarity, the state should undertake tasks that exceed the realization capabilities of smaller organizational communities. Subsidiarity directs the activity of public enterprises towards types of economic activity which for organizational and economic reasons are not of interest to other entrepreneurs [Szydło 2004, 58–59].

The constitutional grounds for the participation of public entrepreneurs in the market economy may also be sought in the institution of legal monopoly [ibid., 59–61]. Legal monopoly implies a situation in which on the relevant market, economic activity of a given type is carried out by only one entrepreneur. The notion of monopoly is not reserved in terms of entities exclusively for public entrepreneurs. It may also be established for the benefit of a private entity [Strzyczkowski 2009, 269]. According to the requirements of the Polish Constitution, the establishment of a monopoly is effected by way of a statute. ¹² In view of the fact that a monopoly by its very nature leads to the restriction of economic freedom, its introduction should be interpreted in the light of Article 22. The establishment of a legal monopoly will thus enjoy the presumption of constitutionality, if not only the formal and legal requirement for its introduction, but also the material

¹² Article 216(3) of the Constitution of the Republic of Poland, the establishment of a state monopoly of a commercial nature must take into account the requirements set out in this respect by the provisions of Article 37 of the Treaty on the Functioning of the European Union (O.J. 2004, No. 90, item 864.2 as amended).

and legal requirement in the form of an important public interest, is met. In turn, the notion of an important public interest should be interpreted in the light of the material and legal premises for delimitation indicated in Article 31(3) of the Constitution of the Republic of Poland, as well as the principle of proportionality of interference in constitutionally protected rights and freedoms.¹³

Public enterprises undertake economic activity in sectors deemed to be strategic, often of an infrastructural nature, e.g. the power industry, telecommunications. The prerequisites for recognizing a given type of activity as crucial for the state include: special significance for the economic interests of the state, and significant impact on the stability and security of the infrastructure necessary for the proper functioning of the economy. The types of economic activity recognized as strategic are based on a relatively stable catalogue. The number of entities performing strategic activity may change, depending on the needs for implementation. In countries with market economies, there is a visible reduction in the participation of public entrepreneurs in economic activity. It is a continuous and dynamic process, which formerly expressed itself in the phenomenon of ownership transformations, and nowadays in the privatization of performing public tasks.

The second issue which arises in the light of the subjective scope of the constitutional principle of freedom of economic activity is the possibility for collective entities to invoke the freedom in question, particularly in the context of the source of the origin of that freedom. Economic freedom, in fact, derives from an inherent and inalienable natural right, which is the personal freedom of an individual. The personal freedom of the individual is in turn rooted in human dignity [Chmaj 2002, 73ff]. Free will is therefore a fundamental prerequisite for the choice to take up and pursue an economic activity.

The origin of freedom of economic activity as a value rooted in human dignity is most fully exposed in the case of natural persons taking up and pursuing an economic activity [Powałowski 2008, 39]. It seems, however, that the view that the remaining legal entities, i.e. legal persons and the so-called entities without corporate personality, are not beneficiaries of the freedom of economic activity in the legal sense is too far-reaching. The dignity of the human person, as the source of economic freedom, is not completely lost in the case of conducting economic activity in the above-mentioned forms. In the case of these entities, the legal-natural element results from the fact that these entities are created by individuals who are entitled to inalienable dignity. Thus, the source of the freedom of economic activity of legal persons and entities without corporate personality is

¹³ More broadly on this subject see Zakolska 2011.

¹⁴ See the Act of 16 December 2016 on the Principles of State Property Management, Journal of Laws of 2020, item 735.

¹⁵ The basis for such state action is the provision of Article 218 of the Constitution.

¹⁶ Cf. e.g. Szydło 2005, 9-10.

the dignity of the individuals constituting those entities (a derivative source). The acknowledgement that private law entities undertaking economic activity are entitled to economic freedom derived from the individuals constituting them is also supported by the acknowledgement of these entities as social creations within the so-called realist theory [Zoll 1931, 163ff]. It is also assumed in the literature that private law entities are entitled to public subjective rights [Jakimowicz 1999, 43], which encompass the freedom of economic activity.

The second problematic issue within the juridical construction of the freedom of economic activity is its material scope, which determines the limits of selfrealization of entitled entities. The material scope of economic freedom includes a bundle of entitlements the exercise of which gives rise to the freedom to engage in, exercise, and terminate economic activity [Waligórski 1998, 88]. It is therefore important to emphasize that freedom of economic activity includes subjective self-realization in the full scope of economic activity. The obligation to take this into account lies both with the legislator and with the authorities applying the law. The organs of economic administration within the framework of operative interpretation should be guided by topoi of interpretation, which lead to the realization of the freedom of economic activity both at the stage of its commencement and execution, as well as its termination. Two interpretation rules, in dubio pro libertate and exceptiones non sunt extendendae, are fundamental in this respect. Correct application of these rules of interpretation of the norms regulating economic activity leads to practical implementation of the constitutional principle of freedom of economic activity and its subjective elements.

The consideration by the legislator, as well as by the economic administration bodies, of the subjective scope of economic activity at the stage of undertaking, performing, as well as terminating economic activity, results from two basic theoretical and legal assumptions. Firstly, freedom of economic activity constitutes a category of public subjective rights of a negative nature. On the one hand, the legislator is, therefore, obliged to refrain from adopting detailed solutions within the subject scope, which would lead to limiting the freedom in question beyond the delimitation standard determined by Article 22 and 31(3) of the Constitution of the Republic of Poland. On the other hand, entrepreneurs who are entitled to certain rights within the subjective scope have a claim to their protection. The content of the claim is the demand for exercising the right within the subjective scope of the freedom of economic activity in a specific shape determined by the legal regulations. The claim in question may have either a substantive or procedural character [Opałek 1957, 20]. The nature of the claim is determined by the type of norm from which the claims arise. This therefore strengthens the legal position of the entitled entrepreneur with regard to the realization of the subjective scope [Tomaszewska 2012, 113].

The second theoretical and legal assumption which influences the activity of the legislator, as well as the bodies applying the law, primarily the bodies of economic administration, is the assumption that the freedom of economic activity is a principle of law. A principle of law should be treated as a legally binding constitutional norm, which has been recognized as being of particular social importance, as it expresses fundamental values [Zieliński 1997, 68]. In the context of the above, the legislator is obliged to shape the subjective scope of the freedom of economic activity in a manner leading to the realization of the freedom in question. In turn, the bodies interpreting the law are obliged to interpret the provisions shaping the subjective scope in accordance with the interpretation topoi referred to above. Only the synergy of actions of the legislator and the bodies applying the law may positively affect the materialization of the subjective scope of the freedom of economic activity.

The material scope of the freedom of economic activity includes, inter alia, elements such as the freedom to choose the organizational and legal form of economic activity undertaken, the freedom to compete, to invest, to set prices, to conclude contracts, to advertise. 17 A comprehensive definition of the material scope exceeds the analytical efforts of academia and is not practically relevant [Kołacz 2008, 81]. This results from the diverse nature of business endeavours. Depending on the type of economic activity, entrepreneurs take a number of actions resulting from its nature, based on individual entitlements. Consequently, one can speak only of a certain general construction of the subjective scope, which in concreto is supplemented by further powers. It should also be noted that today we are dealing with new types of economic activity which do not follow the traditional division into service or production activities. The dynamics of economic reality therefore exceeds the regulatory possibilities of the legislator in the framework of defining the material scope of the freedom of economic activity. In such cases, the entrepreneur will be entitled to directly invoke the freedom of economic activity as a general principle of law, even if the material scope in relation to a certain type of economic activity has not been regulated.

The substrate of the objective scope is not of an absolute nature. Exercise of the subjective rights always takes place in compliance with the conditions provided for by law. The limitation of the subjective scope constitutes a restriction of economic freedom mainly at the stage of undertaking, execution, and termination of activity by an entrepreneur. Such limitations are not of a general nature. They apply only to those entrepreneurs who exercise particular rights. Restrictions take place owing to the characteristics of the entity conducting business activity, e.g. freedom of competition has been restricted by the requirement to obtain the consent of the President of the Office of Competition and Consumer

¹⁷ Cf. Kołacz 2008, 80.

¹⁸ An exception in this respect is the undertaking and conduct of economic activity prohibited by statute, in accordance with the disposition of Article 42 of the Constitution. Criminal law provisions qualifying a given type of economic activity as prohibited restrict economic freedom in this respect.

Protection for concentrations between entrepreneurs who achieved a certain annual turnover in the year preceding the intention to merge. Restrictions are also of a material nature owing to the type of business activity pursued, e.g. restriction of the freedom to choose the organizational and legal form for banking or insurance activities.

Within the scope of each of the juridical features of freedom of economic activity, there are basic elements without which the given feature cannot exist, and additional elements which may be modified by the legislator without affecting the essence of the given feature. 19 Modification of features that are substantively irrelevant may be effected only by means of a law and only for reasons of important public interest. It is also necessary to take into account the principle of proportionality of interference in constitutional protected freedoms. Pointing to the Constitution as the basic legal act serving as the basis for the protection of economic freedom, reference should also be made to the provisions regulating the legal grounds for the introduction of one of the states of emergency.²⁰ Statutory provisions introducing one of the states of emergency may introduce limitations to human and civil liberties and rights during the duration of particular states of emergency. In connection with the above limitations of freedoms and rights, the act introducing a state of emergency may define the grounds, scope, and principles of compensation for property losses, which may be directed, among others. to entrepreneurs. Among the prerequisites for the introduction of a state of emergency, the constitutional legislator points to identical prerequisites that have been included in the provision constituting the basis for restricting economic freedom (Article 22 of the Constitution) and in the provisions constituting the basis for restricting rights and freedoms (Article 31(3) of the Constitution).

CONCLUSIONS

The adoption by the legislator of the constitutional freedom of economic activity as an element of the adopted economic system, in the light of the above considerations, permits the formulation of the following conclusions:

- 1) Freedom to conduct an economic activity is a value rooted in human dignity and applies to natural persons and other legal forms in which natural persons take up and pursue an economic activity.
- 2) Freedom of economic activity, which is an element of human freedom, must be qualified as a principle of law.
- 3) Freedom of economic activity constitutes a category of public subjective rights.

¹⁹ Cf. judgment of the Constitutional Tribunal of 12 January 2000, ref. no. P. 11/98, "Orzecznictwo Trybunału Konstytucyjnego. Zbiór urzędowy" 2001, No. 1, item 3.

²⁰ Provisions of Chapter XI of the Constitution.

4) The restriction of the freedom of economic activity indicated in the provision of Article 22 of the Constitution must take into account the dispositions of Article 31(3) and Article 32(2) of the Constitution. Economic freedom is also a value which anchors the legal system, both horizontally and vertically. It follows from the above that the freedom in question is one of the key issues in the area of public economic law. It is one of, if not the most important of, the categories of this discipline of law. Consequently, research in this area is a constant element of analytical efforts. The evaluation of research results should provide a basis for the legislator in making laws, and for the bodies applying the law with guidelines on decoding the content of economic freedom during operative interpretation.

It should be borne in mind, however, that the correctness of the realisation of assumptions concerning the constitutional freedom of economic activity remains in the hands of the ordinary legislature. Numerous regulations of positive law, in particular in the scope of substantive law, influence the realisation of the freedom in question «in action». Strengthening economic freedom in the system of law is a fundamental obligation of the legislator and the bodies applying the law. However, there is still a noticeable tendency to adopt detailed solutions, which take as their point of reference Article 22 of the Constitution, i.e. the scope of delimitation of economic freedom, rather than Article 20, which provides for freedom in a positive manner. In this context, it should be stressed that economic freedom is not a right given unconditionally. Without proper care for the level of its detailed regulation, it will remain a value only «in books».

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