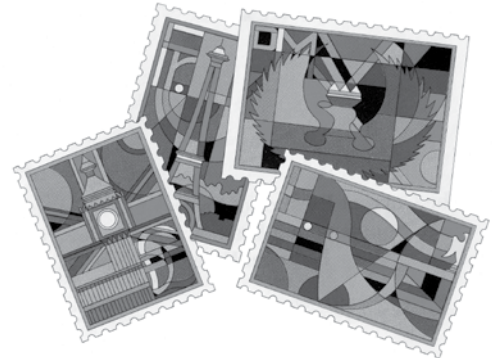


LETTER FROM POLAND

From Worst to First



Poland's economic rise.

BY BARRY D. WOOD

Since big-bang market-based reforms were implemented in 1990, Poland's GDP has tripled. Growth there has typically been the highest in Europe, ranging from 3 to 5 percent annually. A relentless drive to catch up after four lost decades has made Poland Europe's sixth-biggest economy. Per capita incomes (\$16,000) have grown even faster, now exceeding those of Greece and Portugal.

The reforms, the first and boldest in eastern Europe, targeted a quick end of state control—prices were freed, the exchange rate floated, subsidies slashed, the economy opened to trade and foreign investment. The ensuing transformation recession was severe with thousands of job losses as zombie factories closed. But Solidarity led government and the public stuck with the program. With hyperinflation banished, goods returned to store shelves and by 1992 the economy began to grow.

Poland's thirty-year-long journey from worst to first is unprecedented in modern European history.

Leszek Balcerowicz, who as finance minister in 1990 devised and launched the reforms, is compared to Ludwig Erhard, who presided over Germany's post-war economic miracle. Now seventy-four, Balcerowicz is again a professor at Warsaw's economics university and runs a pro-democracy think tank. His

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emphasis—extensively using social media—is on educating the public on economic freedom and democracy.

Gratified with what has been achieved, Balcerowicz nonetheless tells me he is alarmed at the interventionist, restrictive policies of the country's conservative government. "They are damaging the sources of our success ... not only the rule of law but democracy itself." He believes the Law and Justice party, in power since 2015, is taking Poland backwards. "They are," he says, "attacking independent

judges and prosecutors, restricting the media, and taking over the central bank." He accuses the ruling coalition of an unprecedented renationalization of the economy by taking over banks and energy companies.

Law and Justice—socially conservative and nationalist—blames the big-bang reforms for crippling Polish industry. Its populist message resonates outside major cities. A centerpiece of its economic program in effect since 2016 is a PLN500 (\$128) monthly per child subsidy intended to boost a declining birth rate and improve living conditions of large families. Law and Justice triumphed a second time in the 2019 parliamentary election but has lost support since.

Poland's largest opposition party, the centrist Civic Platform, appears reinvigorated by the return to leadership of Donald Tusk after seven years in Brussels as European Council president. Civic Platform

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Poland's stunning post-communist economic success is emblazoned across the Warsaw skyline. The Stalinist Palace of Culture and Science, for decades tangible evidence of Soviet dominance, has descended to caricature, subsumed below new temples of finance. Boom town Warsaw even boasts Europe's tallest building. (Photo by Barry D. Wood)

with Tusk as prime minister led Poland from 2007 to 2014. While elections must be held by November 2023, political analysts increasingly predict a beleaguered Law and Justice will call a snap ballot in 2022. As of September 2021, a leading pollster gives Law and Justice 39 percent popularity, with Civic Platform at 25 percent and the new centrist party Poland 2050 at 14 percent. The centrist opposition is confident they can form a government after the next election.

Law and Justice, along with Hungary's illiberal right-wing Fidesz party, is deeply unpopular in Brussels and among a large swath of European opinion. Law and Justice constantly quarrels with Brussels despite Poland and Hungary being the biggest recipients

of EU structural funds to promote convergence with the west.

Attacks on the judiciary and media as well as discrimination against homosexuals prompted EU efforts to punish Budapest and Warsaw by withholding billions of cohesion funds. Law and Justice defiantly challenges Brussels to actually impose penalties, believing such action would boost its popularity and chances of retaining power.

Ironically, the European Union is more popular in Poland than elsewhere in central and eastern Europe. An opinion survey from Pew Research finds that 84 percent of Poles have a favorable opinion of the European Union, which it joined with eight other formerly communist countries in 2004. As to joining the euro currency zone, across party

lines that move is opposed by a majority of Poles who like their zloty, which is loosely pegged to the euro.

Like other countries in the region, Poland, with 38 million inhabitants, struggles with population loss and the

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exodus of workers to western Europe. At its peak in 2007, 2.4 million Poles were working in the west with one million in Britain alone. Many have now returned, but Poland continues to lose population, which is down 129,000 this year following a decline of 36,000 in 2020. Polish business benefits from the presence of nearly one million Ukrainians who compensate for the loss of skilled Polish workers.

Some years back, Radek Sikorski, successively defense minister and foreign minister in the Civic Platform government, observed that this millennium period comprises the best years ever in Polish history. Similarly, Leszek Balcerowicz says, "After three hundred years we've caught up."

Visiting today's Poland is an illuminating insight into what is arguably Europe's greatest economic success for half a century. ◆



Leszek Balcerowicz

Miracle Maker

Leszek Balcerowicz, who as Poland's finance minister in 1990 devised and launched the market-based reforms that led to thirty years of economic growth, is compared to Ludwig Erhard, who presided over Germany's post-war economic miracle. "After three hundred years we've caught up." But he is alarmed at the interventionist, restrictive policies of the conservative government.

—B. Wood