

Book Review

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Piątkowski, M. (2018).

Europe’s Growth Champion. Insights from the Economic Rise of Poland.

Oxford: Oxford University Press.

Oxford University Press has recently published Marcin Piątkowski’s book entitled *Europe’s Growth Champion. Insights from the Economic Rise of Poland*. The publication deserves attention for several reasons.

First of all, through analysing the background and causes of Poland’s economic success after 1989, Piątkowski’s book fills a conspicuous gap in English-language literature. It presents, in all their complexity, numerous challenges that the country faced, along with social, economic and political measures taken to respond to them. English-language publications exploring the essence of Poland’s economic transformation after 1989 have thus far been few and far between; the list includes e.g. *Reinventing Poland* (2008), *From Autarchy to Market: Polish Economics and Politics 1945–95* (1998), *Institutional Changes and Their Impact on the Polish Economy from 2005 to 2015*, and *Poland’s Transformation: A Work in Progress* (2017).

Secondly, even Polish-language literature does not exactly abound with in-depth analyses of Poland’s economic development over the past 25 years. Although, the process of transformation remained within the ambit of scholarly interest for a while, and it was explored in several research projects, the subject seems to have lost its appeal in the 21st century. The most recent studies that deserve a mention in this context are

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the works of Jasiiecki (2013), Maszczyk (2015), Miszewski's (2012) monograph published in 2012 and Antoszak's (2016) publication (2016).

Marcin Piątkowski's book is a pioneering attempt to evaluate the process of Polish economic transformation and to identify the sources of the country's economic success after 1989. Piątkowski's interdisciplinary work is result of the author's decision to set his research within the broad context of social sciences. In an attempt to explore the sources of Poland's economic success, and to explain reasons for the country's prolonged economic stagnation, the author draws on history, cultural anthropology and cultural studies, political science, psychology, management and economics. Through this methodological decision, he contributes to the existing body of knowledge in the field of development theory.

Piątkowski's theoretical analysis draws on theories of the institutional school, and in particular from the descriptive model developed by Acemoglu, Johnson and Robinson, according to which economic underdevelopment is the consequence of adopting the extractive institutional model, which results in social, economic and political exclusion of large portions of society. In turn, economic success is attributed to the adoption of an inclusive model, which involves fostering economic activity and allowing the public to benefit from its outcomes. An unquestionable advantage of the Acemoglu-Johnson-Robinson model is the fact that, through categorizing institutions as inclusive (promoting development) and extractive (inhibiting development), it eliminates traditional, clear-cut institutional divisions – socialist/capitalist, democratic/ authoritarian, northern/southern, Christian/Muslim etc. – which have proven inadequate for identifying institutional development factors. It is important, as in these classic dichotomies, development and stagnation stages on opposing sides often coincide. Incidentally, it ought to be recalled that as early as in the 1970s, convergence process researchers (Galbraith, Brzeziński, Aron, Bell, Burnham, Berle, etc.) turned away from simple dichotomies, such as capitalism/socialism. Piątkowski does not, however, investigate this matter in his book.

In order to comprehend the value of the Acemoglu-Johnson-Robinson model and its application by Piątkowski, one must understand the concept of inclusive and extractive institutions, a distinction that does not tally with traditional divisions and dichotomies. The author tests this model using the example of Poland; he also resorts to the methodology developed by Popper, Kuhn and Lakatos in order to verify the model's adequacy. Not only does he succeed in his endeavour, but he also manages to further extend the Acemoglu-Johnson-Robinson's model (in accordance with Popper, Kuhn and Lakatos's methodology), avoiding in the process certain falsification risks. Piąt-

kowski applies the model to explore Poland's history from 1500 onwards, referring to analyses of a new generation of historians, representatives of cliometrics, e.g. Malinowski and Bukowski.

The author broadens the framework of the Acemoglu-Robinson-Jahson model, analysing the boundary conditions for the transition from the extractive to the inclusive model, and *vice versa*. It is his unquestionable contribution to research on the determinants of development. Following the analysis of a number of historical cases, he formulates the following conjecture: transitions from the extractive to the inclusive model have taken place mainly as a consequence of external shocks, e.g. military interventions. He argues that internal factors (such as revolutions) have rarely triggered such changes.

The main hypothesis put forward by Piątkowski is, therefore, that institutions play an important role in the socio-economic development (*institutions matter*). Regrettably, the author only hints at the existence of theories antagonistic to his hypothesis. For example, it would be useful to refer to the study of Barro. His extensive econometric research evidenced the absence of clear correlations between types of institutions and growth – for instance, he did not succeed in confirming Weber's theory on the stimulating impact of Protestantism on economic development (Barro and McCleary, 2006). In the light of these findings, he concluded that institutions do not have an impact on development.

In his reflection on reasons for lasting development differences between Poland and Western Europe, evident throughout the country's history, Piątkowski identifies the 14th century plague as the crucial moment that set Poland and other countries on different development paths. In the West, the epidemic prompted the creation of an inclusive model (engaging the peasantry and middle classes in economic processes), mainly in response to a sharp decline in population. At the same time, the extractive model was maintained in Central and Eastern Europe, where both the degree of urbanization and population density were lower than in the West.

When analysing the history of Poland through the prism of the Acemoglu-Robinson-Johnson theory, the author identifies the period of communism as the first major factor that triggered the transition from the extractive to the inclusive model. Through eradicating all pre-modern, feudal social structures, communism eliminated the oligarchic elite, creating unparalleled conditions for the construction of an egalitarian society, based on inclusive economic and social institutions. Consequently, it enabled

the involvement of broad social groups in economic processes. The new egalitarian state guaranteed its citizens universal access to employment, education, health services and culture, while keeping social inequalities in check.

Paradoxically, instead of hampering Poland's development, communism created conditions that proved conducive to the economic miracle that was to take place after 1989, as it prompted the transition towards the inclusive model from the extractive model that had prevailed in Poland for centuries. The systemic transformation, in turn, maintained the model introduced in the communist period, which brought about rapid economic growth. According to the author, the communist Poland laid the foundations for a new paradigm in which the vast majority of Poles could take advantage of the opportunities that emerged after 1989. If we accept this line of argument, it is hardly surprising that the free-market model adopted after the collapse of the communist regime unfettered tremendous amounts of creativity and energy in society, resulting in Poland's unprecedented economic prosperity.

Piątkowski ascribes Poland's economic success also to a combination of other factors, including responsible economic policies, rapid and profound market reforms, a sound banking system, high quality of banking supervision, the scale and strength of the internal market, the pension system reform, high levels of absorption of EU funds, and, last but not least, slow privatization processes. He argues that the success was largely due to building a coherent institutional order modelled after western solutions, in which several economic policy elements mutually reinforced each other. It should be noted that new institutions that reproduced Western models fell on a fertile ground. Poland was among the countries that introduced market-oriented institutions most rapidly. In this context, we must mention the country's major strengths: the rule of law, government effectiveness and the state's measures to curb corruption.

In his analysis of Poland's economic success, the author points to the general social consensus about the country's 'return to Europe'. He links the pro-European outlook of Poles with the unique role of the Catholic Church as a relay of Western values during the communist period. Among the faithful, the Church nurtured the hope of becoming – again – part of the European civilization. Last but not least, Polish transformation proved successful also thanks to Western Europe's readiness to open up to the countries of Central and Eastern Europe, and to provide them with the much needed assistance, which included substantial economic support, including EU funds, of which Poland has become the largest beneficiary.

All of these factors combined prompted Poland's spectacular economic success. The author compared levels of development of Poland in relation to other European countries over centuries and concluded that the 25 years of the so-called Third Republic of Poland was the period during which the country flourished and thrived as never before, the golden age of Polish history. During this period, the median household disposable income increased by 39% (more than in any other post-communist country). At the same time, Poland has managed to maintain its egalitarian mind-set: Poles generally disapprove of extreme income disproportions. With this attitude to social inequality, Poland unsurprisingly ranked among European leaders in terms of social justice. The author argues that it allowed all Poles to benefit from the country's economic success, even if to a varying degree. In 2015, Poland was the world's most prosperous economy in terms of its ability to translate income growth into improved well-being. The author explains: "They drive smaller cars, live in smaller apartments, and have smaller incomes and savings, but their access to the global civilizational bounty is largely the same [as in the West]" (p. 150). It comes as no surprise that, according to a survey carried out in 2015, Poles were the most content among all post-communist societies – they were happier than their level of income might have suggested. Polish society had never been better off.

In his enquiry, Piątkowski's also looks into the future. He puts forward the concept of the "Warsaw Consensus" – a specific road map for shaping future economic policies with a view to promoting further convergence of Poland (and the entire region of Central and Eastern Europe) with the West, which would maximise its development potential and allow it to compete on equal terms with the world's top economies. Within the Consensus, the author suggests that special emphasis be placed on increasing domestic savings, enhancing innovation, promoting education and innovation, ensuring greater openness to immigration, boosting employment, strengthening institutions and the National Bank, as well as ensuring effective financial supervision and further urbanization.

With his book, which is a true *tour de force* of erudition, Piątkowski contributes to the understanding of transformation processes and to the existing body of knowledge of institutional economics and development economics, expounding in a fresh and inventive way the uniqueness of the Polish economic miracle and its background. At the same time, it leaves room for reflection and questions.

The author's failure to define the time frame of the analysis is the main shortcoming of his work. Alas, already at the moment of its publication, the book has to be regarded as a historical study, as the presented analysis does not reach beyond 2016. The author

formulates theses and paints an optimistic picture of the future, which he sees as full of promise. Meanwhile, since the end of 2015, Poland has been governed by a party that changed the rules of the game immediately upon coming to power and initiated the process of thorough reorganization of the state and its functioning. For this reason, the author's failure to clearly define the timeline of his analysis creates a false image of Poland's current situation. Through its policies, in no more than three years, the new government has managed to build a new society based on conflict, clientelism, and quickly advancing oligarchisation. Contrary to the author's optimistic conclusion, this change was prompted solely by internal factors and took place without any external impulse or shock. Poland has taken a dangerous path back towards the extractive model; this orientation may prove a stumbling block to the country's future development.

With reference for the model of the "Warsaw Consensus" developed by the author as a road map for the country's development, we must mention several alarming tendencies: the weakening of institutions, including European institutions, a drop in or stagnation of domestic savings, low national investment rates, hampered innovation, declining employment rates, catastrophic changes in the system of banking supervision, collapsing work and ethical standards of the National Bank of Poland and the Financial Supervision Authority, strong opposition to immigration and a rise of xenophobic attitudes that hinder the import of labour. These circumstances increase risks and create a barrier to the country's further growth.

The impact of EU integration on Poland's development, the quality of national institutions, values, etc. is subject to exhaustive investigation. The author points to the unprecedented social and political consensus about the country's reintegration with Europe after 1989. He argues that this viewpoint is shared by all Poles and the state's elites, and that the country will follow this path. Alas, from today's point of view, this prognosis seems unduly optimistic. Since 2015, the ruling elite does not shy away from articulating disparaging and vilifying comments about the EU, negating of the European model and its accomplishments, undermining the EU law and discrediting European institutions. The Catholic Church represents, to a large extent, a similarly antagonistic and unfavourable position towards the EU.

Piątkowski devotes a lot of attention to index analysis, as he described the scale of Poland's success through reference to individuals and the state. The data used in his analysis places Poland at the forefront of global growth leaders. This invites a number of questions: Why did a substantial part of Polish society reject the achievements of the Third Polish Republic and vote for a political party that denied or rejected altogether the achievements of the past 25 years? If the years following 1989 were the best period

in Poland's history, or its golden age, why did PiS's slogan "Poland in ruins" prove so persuasive?

Election results suggest that Polish society, or at least parts of it, did not consider themselves beneficiaries of changes that took place after 1989. Positive macroeconomic data from many regions strongly contrast with the level of satisfaction of individual Poles. As pointed out in the most recent Social Diagnosis (2015), despite successes on the macro scale, the rank and file are frustrated because of precarious employment conditions that foster feelings of uncertainty and exclusion (due *inter alia* to the so-called junk job contracts), and they disapprove of many changes that have taken place, such as the destruction of the railway system or the erosion of community life. Many social groups feel impoverished and excluded from participation in economic growth and from access to benefits it has generated. It has made them prone to populist slogans that promise greater social welfare. The results of 2015 elections highlighted the fragility of the Polish economic miracle: over 80% of PiS voters demanded social assistance, and 90% expected the new government to introduce changes that would improve their quality of life.

The most serious mistake of Poland's "golden age" – and one that might wipe out the success of Poland's transformation altogether – seems to be the state's failure to prepare society for the newly acquired freedom and democracy, and to reach out to its people during the period of dramatic economic changes. Instead, it left them to the mercy of the free market, each individual solely responsible for his/her own fate. Poles finally had the freedom of choice, but were never asked whether they wanted it and whether they felt comfortable in the new economic setting. The state failed to educate society on the value of these institutions and, by doing so, to imbue them with meaning.

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