OLSZTYN ECONOMIC JOURNAL
Abbrev.: Olszt. Econ. J., 2013, 8(3)

ASSESSMENT OF POLAND'S ECONOMIC POLICY DURING THE CRISIS

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K e y w o r d s: crisis, the role of government, fiscal policy, monetary policy.

A b s t r a c t

The rapid weakening of economic activity, covering most states in the world, gives rise to a lively discussion on the choice of methods to tackle the crisis, the legitimacy and effectiveness of various economic policies, the role of the state and the scope of its intervention in the economy.

The paper evaluates the Polish economic policy in recent years. This refers to the situation prevailing in the EU and the USA. I conclude that the Polish economy during the crisis remained relatively stable, without having to provide the emergency aid from the outside.

The development of such a situation has been affected by different reasons, including:

– The benefits of the so-called "backwardness rent", which resulted, among others, in the inflow of EU funds (Poland was in 2007–2013 and in will be in 2014–2020 the biggest beneficiary of the EU budget);

– The effects of decisions on changes in the tax and social security, taken for political reasons (before the crisis);

– The controversial withdrawal from the funded pension system, reducing the budget deficit and public debt;

The prudent monetary policy and anti-inflation policy pursued over many years.

Actions taken in Poland are primarily focused on reducing costs, which differs quite significantly from the economic policy dominant in the U.S. and the "old" EU countries which generally pursue expansionary fiscal policy and a policy of cheap money. Polish solution facilitates the achievement of short-term fiscal sustainability, but does not create favorable conditions for the development in the long-term (insufficient investment, petrification of economic structure, lack of innovation).

OCENA POLITYKI GOSPODARCZEJ POLSKI W OKRESIE KRYZYSU

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S ł o w o k l u c z o w e: kryzys, rola państwa, polityka fiskalna, polityka monetarna.

Abstrakt

Gwałtowne osłabienie działalności gospodarczej obejmujące większość państw świata staje się powodem do ożywionej dyskusji dotyczącej wyboru sposobów walki z kryzysem, zasadności i skuteczności różnych polityk gospodarczych, roli państwa i zakresu jego ingerencji w gospodarkę.

W artykule oceniono politykę gospodarczą Polski w ostatnich latach. Nawiązano przy tym do sytuacji występującej w UE i USA. Autor stwierdził, że gospodarka polska w okresie kryzysu zachowała względną stabilność, bez konieczności udzielania jej nadzwyczajnej pomocy z zewnątrz.

Na ukształtowanie się takiej sytuacji złożyło się oddziaływanie zróżnicowanych przyczyn, w tym głównie:

– korzyści wynikających z tzw. reszty zacofania, w czym zawiera się m.in. dopływ środków pomocowych UE (Polska była w latach 2007–2013 i będzie w latach 2014–2020 największym beneficjentem budżetu unijnego);

– skutków decyzji o zmianach w systemie podatkowym i ubezpieczeniowym podjętych jeszcze przed kryzysem z przyczyn politycznych;

– kontrowersyjnego wycofania się z systemu emerytur kapitałowych, zmniejszającego deficyt budżetowy i dług publiczny;

– prowadzonej konsekwentnie od wielu lat ostrożnej polityki monetarnej i antyinflacyjnej.

Działania podejmowane w Polsce są nastawione przede wszystkim na ograniczanie wydatków, co odbiega dosyć wyraźnie od polityki gospodarczej dominującej w USA i „starej" UE, gdzie prowadzi się na ogół ekspansywną politykę fiskalną i politykę taniego pieniądza. Rozwiązanie polskie ułatwia osiągnięcie krótkookresowej równowagi budżetowej, ale nie tworzy dogodnych warunków do rozwoju w długim okresie (niedostateczne inwestycje, petryfikacja dotychczasowej struktury gospodarczej, niska innowacyjność).

Introduction

The discussion concerning the role of the state in economy, the scope of its intervention, applied measures and their effectiveness, etc. usually intensifies in the period of sharp slowdown in economic activity (FREEDMAN et al. 2010, FUKUYAMA 2008). The presented text is an attempt to show how the Polish economy has coped in the period of the current economic crisis, what has most significantly influenced its standing, as well as the occurring processes, and what economic policy the state has pursued. The situation existing in Poland will be compared to the situation in the European Union.

The aim of this paper is to show that a relatively good situation of the Polish economy in the current crisis is more a consequence of specific internal conditions than the anti-crisis policy. The text has been prepared on the basis of the Central Statistical Office statistical data, Eurostat, Polish and English-language literature on these topics and materials presenting and analyzing economic policy solutions.

Economic policy in Poland and the EU – comparative analysis

In this paper, the following aspects of economic activity have been taken into account:

a) GDP growth rate,
b) unemployment rate,
c) budget deficit level,
d) national debt level,
e) inflation.

Poland has recorded a relatively high rate of GDP growth in the recent years (Tab. 1).

Table 1

GDP growth rate at constant prices [%]

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012
Poland	5.3	3.5	6.2	6.8	5.1	1.6	3.9	4.5	1.9
EU-27	2.6	2.1	3.2	3.2	0.4	-4.5	2.1	1.6	-0.4

Source: http://eurostat.ec.europa.eu (5.08.2013)

Even prior to the crisis, the rate of GDP growth in Poland was one of the highest in the EU, and in the years 2008 and 2009 it was the highest. In 2010, only Sweden (6.1%) and Slovakia (4.2%) recorded a higher growth rate. In subsequent years, the rate started to level with the EU average. Preliminary estimates for 2013 indicate that the rate of GDP growth in Poland (approx. 1–1.2% or below) may be lower than the average in the EU.

Prior to the crisis (in 2006), the rate of unemployment in Poland was the highest in the EU. It is characteristic that it fell at the beginning of the crisis. Then, it began to rise again and is currently relatively high, yet it is still not one of the highest in the EU (in 2012 in Spain and Greece above 25%).

Table 2

Unemployment rate-annual averages [%]

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012
Poland	19.0	17.9	13.9	9.6	7.1	8.1	9.6	9.7	10.5
EU-27	9.3	9.0	8.3	7.2	7.1	9.0	9.7	9.7	10.1

Source: http://eurostat.ec.europa.eu (5.08.2013)

The level of the budget deficit (public finances) in Poland and EU-27 is illustrated in Table 3.

Table 3

Budget deficit as % of GDP

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012
Poland	-5.4	-4.1	-3.6	-1.9	-3.7	-7.4	-7.8	-5.0	-3.9
EU-27	-2.9	-2.5	-1.5	-0.9	-2.4	-6.9	-6.5	-4.4	-4.0

Source: http://eurostat.ec.europa.eu (27.07.2013)

In the years 2004–2005, the budget deficit in Poland was relatively high. For example, in 2005, it was higher in only four other EU countries: in Hungary (7.9%), in Portugal (5.9%), Greece (5.2%) and Italy (4.4%).In Poland in the next two years, the deficit decreased, which was the result of the high at the time budget revenues driven by strong GDP growth. In the first years of the crisis, the deficit increased and reached 7.8% in 2010. The deficit in the EU, however, also rose at the time, though in most countries the highest level of deficit was already achieved in 2009. Yet in 2010 a downward trend was observed. The reduction of Poland's deficit has been proceeding so swiftly and consistently that already in 2013 the deficit should reach the level below 3%, which will mean the fulfilment of the Maastricht Treaty criteria.

The level of public debt in Poland is illustrated by the data put in Table 4.

Table 4

Public debt as % of GDP

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012
Poland	45.7	47.1	47.6	45.0	47.1	50.9	54.8	56.3	53.0
EU-27	62.2	62.8	61.5	58.7	61.8	74.0	80.0	82.5	85.3

Source: http://eurostat.ec.europa.eu (14.06.2013)

The public debt is growing, yet at a moderate pace, slower than in most EU countries. The level of this debt is also moderate. For example, according to the Polish methods, debt was lower in 2011 by almost 2 percentage points (53,5%), compared to the Eurostat accounting methods. (*Statistical Yearbook* 2012, p. 633). So, according to Polish accounting methods, it has not reached 55% in any given year. Poland, therefore, meets the Maastricht criterion on public debt. It should be noted that in 2010 as many as 14 EU member states exceeded the 60% level of debt. It should also be noted that, apart from the years of 2009–2010, the debt level in Poland has reached high stability.

The inflation rate in Poland (taking into account prices of goods and services) has been relatively stable over the last ten years and remains at a moderate level (Tab. 5).

Table 5

Inflation rate (%)

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012
Poland	3.5	2.2	1.3	2.6	4.2	4.0	2.7	3.9	3.7
EU-27	2.6	2.3	2.3	2.4	3.7	1.0	2.1	3.1	2.6

Source: http://eurostat.ec.europa.eu (14.06.2013)

In the period when the rate of GDP growth was high, the rate of inflation decreased to even 1.3% in 2006. It was then the lowest inflation rate in the EU. A visible increase in the rate of inflation observed in Poland since 2008 indicates a correlation with the severity of the crisis and the employment of financial resources stimulating demand (SKIBA 2011). The rate of inflation rose then also in most EU countries. However, at the turn of 2012–2013, inflation in Poland fell to approx. 2.0%, and to 1,0% in first quarter of 2013, that is, to the level set in the Polish constitution as the inflation target of the central bank (a 1 percentage point deviation up or down from the inflation target set at the level of 2.5% is allowed).

On the basis of this synthetic information, it can be concluded that the Polish economy has been going through the period of the crisis in a relatively mild way, without excessive shocks or instability. It should be noted that Poland is one of the ten post-socialist countries which are now part of the EU. Before 1990, all these countries functioned within a system in which state ownership dominated and the state (not the market) set, as well as regulated, mechanisms and rules of business activity. Although that system has been non-existent for more than twenty years, a clear aversion to increasing state intervention in economy remains in most of these countries. The belief that the interference of the state in economy brings more negative consequences than positive ones is widespread. And difficult issues (also in times of crisis) can best be solved by creating more favourable conditions for the operation of market mechanisms and by privatising the remaining state assets. The supporter, or even a symbol, of this way of thinking in Poland is still Leszek Balcerowicz, the creator and implementer of the Polish economic reform after 1989 (BALCEROWICZ 2010). This outlook influences to a certain extent the character of the economic policy in post-socialist countries. The economic policy in these countries, however, is also determined by their structural features that result from a relatively low level of development and the effects of decisions made in the system existing before 1990.

Regardless of the causes and determinants, the state of the economies in most of the post-socialist countries (including Poland) in recent years can be characterised as follows (*Recovery and Reform* 2010):

– a decline in GDP is relatively high, with the exception of Poland,

– the unemployment rate is generally moderately high and slightly increasing,

– the public finance deficit is low and generally does not show an increasing trend,

– the public debt is low and does not show a rising trend,

– the inflation rate is moderate and shows a rather decreasing trend.

This characterisation indicates that these countries (in which mechanisms and institutions of a market economy based on private ownership have been operating for only 20 years) have shown significant resistance to negative external shocks occurring in recent years. It can be seen as optimistic that these economies do not cause the EU the most trouble and do not require the greatest number of recovery measures. It can be said though that at the initial stage of the crisis (2008–2009), a certain (sudden) downturn was observed in three post-socialist countries. It was short-term, however, and concerned the small economies of Estonia, Latvia and Lithuania. The size of aid was not big and the basis for stability was achieved largely due to drastic austerity programmes implemented consistently without any serious social protests (*Recovery and Reform* 2010).

The specificity of Poland's economy and its anty-crisis policy

Poland belongs to the group of EU countries that have managed in recent years to avoid sudden shocks in their economies. There are also negative processes observed, yet they run their course in a relatively mild way and do not lead to tensions that seriously affect social stability. This raises the question what the reasons for this relatively favourable situation of Poland are and whether it can be expected that this situation will either improve of deteriorate in the coming years. The answer to this question is important since there are significant differences between the economic policy pursued in Poland and in many other EU countries (particularly more developed ones), as well as in the USA. Which country, therefore, has chosen the correct method to handle the current crisis?

This issue was manifestly raised by Jacek Rostowski, the Minister of Finance, who at the end of September 2009 stated that: "...everybody is pleased with the performance of the Polish economy. Pleased even more since in the course of this year, Poland went a completely different way than the countries of Western Europe and the USA. Our performance is proof that we have chosen the right way to deal with the crisis and that this way has proved to be the only effective one" (ROSTOWSKI 2009). This is an important statement which should be analysed and verified.

This statement may be interpreted in three ways:

– the procedure adopted in Poland can be successfully used in a number of countries contributing effectively to overcome the crisis;

– Poland is actively pursuing the economic policy tailored to specific conditions of our country and these experiences cannot be used on a major scale abroad;

– the economic policy in Poland in the period of the crisis is characterised by low activity and a relatively favourable situation of the economy results from its unique characteristics and determinants which are rarely found in other countries.

Most arguments are in favour of the third interpretation (KRAJEWSKI, KRAJEWSKA 2011). The most important ones are the following:

1. Poland enjoys the following benefits of its backwardness:

a) the financial sector is relatively underdeveloped. It achieves good results based on traditional, tried and tested instruments. This weakens negative effects of the crisis and delays the time of their occurrence. The impact of the financial sector on the real economy is still limited. It is illustrated by the fact that in 2008 only 26% of small and medium-sized enterprises used bank loans (*Raport*... 2009) although entities of this size in most countries are particularly heavily dependent on external financing;

b) international connections are still limited. For instance, in Poland export constitutes approx. 37% of GDP, while in many member states of the "old" European Union, as well as in the Czech Republic, it amounts to 75% (*Statistical Yearbrok* 2012, pp. 858, 868). This means that the effects of the collapse of the economies of the developed countries are not so strongly felt in Poland;

c) as one of the least developed countries of the EU, Poland makes use of substantial, external financial assistance. Poland has at its disposal significant financial resources flowing from abroad, mostly from the European Union. The sum currently totals several billion Euro per year and the resources are allocated to finance:

– infrastructure investments, investments supporting entrepreneurship and innovation, as well as improving the natural environment;

– consumer spending (subsidies for farms, maintaining employment, severance pay for dismissed employees).

2. The high rate of GDP growth before the crisis (5–6% per annum) has lengthened the "braking distance" of the economy. This assumption, however, is probably not fully justified, even given the experience of Latvia, Estonia, Lithuania and Ireland[1].

[1] It should also be taken into consideration that these are small economies with a small scale of economic activity. The collapse of several large entities has a significant impact on the whole statistical picture.

3. Poland is benefiting from the effects of decisions made before the crisis, seriously increasing financial resources at the disposal of households and businesses. The decisions in question concerned mainly lowering disability pension contributions from 13% to 6%, which reduced the annual budget revenues by approx. 24 billion PLN, and decreasing tax rates on income (PIT) from 19%, 30% and 40% to 18% and 32%, which reduced the budget revenues by more than 16 billion PLN annually. It seems that both of these decisions had no clear economic justification. Wages grew then at a high rate (7–9% annually), entrepreneurs made relatively high profits and the lack of financial resources was not a major barrier to increased investment.

The effects of two other previous decisions – to lower rates of corporate income tax (CIT) in 2004 from 27% to 19% and the transition to a new pension system in 1999 – should be also taken into account. The reduction of CIT decreases the budget revenues by approx. 8 – 10 billion PLN annually and the necessity to make contributions to pensions funds is an annual burden of approx. 24 billion PLN for the budget. The financial resources flowing into pension funds are not immediately used to pay current pensions but they are invested (mainly in the country) thus sustaining investment demand. The budget, therefore, pays about 50 billion PLN annually for the payment of current pensions.

For a long time, there was a so-called budgetary pension system in Poland. Pension contributions were paid to the state budget which funded current pension payments under the existing rules and regulations. The institution dedicated to the payment of pensions was the State Social Insurance Institute (Zakład Ubezpieczeń Społecznych – ZUS). In 1999, the so called capital-funded pension system was introduced. Since then, pension contributions were paid to individual accounts and the thus collected funds were managed by the so called open pension funds, specifically designated for that purpose. The Social Insurance Institute still exists drawing funds from the budget to finance currently paid pensions. Thus a system was created in which on a temporary basis (yet for many years) it is necessary to double fund pension needs: to put aside in Open Pension Funds (OPF) money for payments that will be realised in the years to come and to draw funds from the current budget for current pensions.

In 2011, Poland partly withdrew from the capital-funded pension system and in practice returned to budget-funded pensions, which contributed to the reduction of the budget deficit and the rate of public debt growth. Other post-socialist countries, which, similarly to Poland, introduced years ago capital-funded pensions also withdrew from these systems during the current crisis, thus reducing their public finance debt. It is significant that none of the "old" (EU-15) have decided to introduce a capital-funded pension system which is sensitive to the effectiveness of investing in the market and economic fluctuations.

In 2013, further decisions were taken leading to a reduction in the activity of the Open Pension Funds and the withdrawal of more than half of the funds deposited there (i.e. those invested in government bonds).There is of course a danger that this will negatively affect the capital market. However, one must take into account that the funds invested in the stocks of companies will remain in the OPF, which reduces the threat of the collapse of the stock exchange in Warsaw. The priority of the Minister of Finance and the government was to quickly reach success in balancing the budget deficit and public debt (a debt decline by about 8 percentage points). And this should have a positive impact on improving the image and position of Poland in the EU and among investors.

As a result of the economic policy outlined above, the market benefited from financial resources at the amount of tens of billions of PLN per year, which increased consumption and investment demand enabling to maintain a positive rate of GDP growth. At the same time, however, this led to the expansion of the public finance deficit. A further increase in the deficit could threaten the stability of the entire economy.

The measures concerning the public finance sector undertaken in Poland in reference to the current crisis can be presented as follows:

1. Decisions resulting in the rapid achievement of:

a) short-term budgetary expenditure savings (the reduction in government spending by approx. 20 billion PLN) in the initial phase of the crisis;

b) short-term additional revenue for financing the deficit (e.g.: the acquisition of the resources of the so called Road Fund and Demographic Fund yielded approx. 20 billion PLN)[2].

2. Measures focused on achieving in the period of a few years:

a) savings in the budget expenditures (suspension of indexation of pensions, a public sector wage freeze, elimination of some income tax deductions, withholding of payments to open pension funds),

b) additional revenue to the budget from the increase in VAT from 22% to 23%, and the increase of excise (MODZELEWSKI et al. 2010) and from the increase in disability pension contribution by 2 percentage points). These decisions are generally seen as interference with the existing system of public finance and their actual impact on the budget is still unclear. Some of the decisions probably will not be fully realised and some will start to have an effect with a delay of several years.

[2] The financial resources at the disposal of the above mentioned Funds are outside the scope of the state budget.

3. The preparation of programmes:

a) extending the working time to 67 years for women and men (including privileged professional groups, e.g.: uniformed services that currently acquire their pension rights after 15 years of work);

b) limiting the scope of the so-called bridging pensions (accelerated pensions);

c) eliminating or limiting financial privileges for certain industries, e.g.: for miners, teachers, railwaymen. These programmes (if realised) will not influence the current budget situation and their effects in the form of budget spending cuts will be delayed, even by several years.

Restoring over a few years the desired budget deficit level (slightly below 3% GDP in 2013) required at least partial implementation of the measures outlined in point 1 and 2, as well as a "hidden" increase in personal income tax burden (a freeze on tax thresholds under conditions of inflation).

It should also be noted that the current, difficult situation of public finances is largely a consequence of poorly thought-out, or even wrong, decisions from previous years. This includes, among others, the pension reform and the reduction of disability pension contributions and personal income tax rates (PIT). Their combined, total budgetary impact (the reduction of revenues or increase in spending) can be estimated at around 60 billion PLN annually in recent times. It is difficult to find a clear economic justification for reducing disability pension contributions and personal income tax. It seems that there exists in Poland a widespread belief that the duty of the government (and the parliament) is to lower the tax burden and the propagated idea that a good authority is the one that reduces taxes, while an evil authority is the one that raises them, played a big role. This outlook has a particularly significant impact on election programmes of all parties. And although – as it has been already emphasised – there was no economic necessity to reduce the disability pension contributions and personal income tax, it was done. In such an atmosphere, it is difficult to increase taxes and social security burdens during an economic downturn, when there is a lack of economic balance. It is much easier to implement such decisions in the UK and it is often practised. In Poland, it is relatively easier to make increases in VAT as they are less noticeable for the public. It is characteristic that raising VAT from 22% to 23% in Poland was supported by the argument that the UK had done the same. It was not revealed, however, that at the beginning of the crisis the UK reduced VAT to stimulate demand and then it was only restored to its original rate (*Taxation trends* 2011).

It is difficult to unambiguously determine whether at the end of the 1990's there were conditions for the reform of the pension system and whether it was wise to currently withdraw from the existing solutions in order to save the budget balance (KRAJEWSKI 2001). This depends largely on the assessment of the current and future budget situation and the possibility to balance the budget without disturbing the balance of the pension system.

It should be remembered, however, that in the medium-term programme to repair public finances, announced in 1998, the finance minister expressed a clearly formulated opinion that there was no possibility to provide at the same time financial security for more than two reforms out of the four then considered (pension, health care, education, public administration). Ultimately, it was decided for political reasons to implement four reforms, including a social security reform, making rather unrealistic assumptions, as it later turned out, concerning the conditions of its success. It was assumed that an increase in spending on the pension system resulting from these new solutions would last for 7 years, and it is currently estimated that it should take as many as 40 years. The main source of coverage for these increased expenditures were to become unrealistically highly estimated revenues from privatisation that in practice were not reached, additionally these revenues turned out to be also needed for the realisation of other goals.

Even if the planned revenues from privatisation had been achieved, it would have been no more than 20-28 billion PLN annually[3]. The scope of privatisation also proved to be unrealistic due to political reasons as it caused protests among the opposition parties and the major part of the society. It seems that in this situation, the dismantling of the current pension system was necessary to prevent the collapse of public finances.

Prospects of Polish economy

At present (at the beginning of 2013), the answer to the question whether we can stop the declining rate of GDP growth and prevent a negative growth rate seems of crucial importance for the Polish economy. It depends on several factors of very diverse nature:

1. the rate of growth in the countries of the "old" EU, especially in Germany, with which Poland's economy is most closely connected (over $^1/_4$ of total trade exchange). In this respect, one can probably count on moderately optimistic developments, which should translate into an increase in Poland's export opportunities,

2. significant improvement in the operation of institutional factors, including business law and tax law, defective and not conducive to the development of entrepreneurship;

[3] The entire value of state assets which can be potentially sold amounts to 150–200 billion PLN under current conditions.

3. the acceleration of the growth rate of investment in the corporate sector. Since 2009, expenditures on investment in Poland have been declining. It is a slight decline, by 1–2 percentage points per year. It should be taken into consideration though that the situation differs in terms of investment funded by the government, local authorities and business entities. The investments made by government and local authorities recorded a positive trend until the mid of 2012. Since then, there has been a decline in investment, which is related to the depletion of financial resources to fund public investment (e.g.: motorways) received from the EU. Another influx of EU funds to support public investment will occur in a few years' time. At the same time, investments made by the business sector have remained at a low level and been declining in the last few years. This is despite the fact that the business sector has significant financial resources that could potentially be used to increase fixed assets[4]. Business entities, however, prefer to make financial (capital) investments perceived as safer (less risky) under the current conditions,

4. the rate of growth in household consumption. Until 2012, consumer spending grew significantly, which contributed to maintaining a relatively high rate of GDP growth. 2012 saw a slowdown in the trend and consumption increased by only 0.5%. At the end of the year, it began to decline, although in previous years, it had increased by between ten and twenty percentage points percent (purchases before Christmas).

It seems that the reasons for the decline in consumption can be found primarily in the decline in public confidence in Poland's economic policy and concerns that the economic situation may deteriorate rapidly, also due to difficulties occurring in the EU. High effectiveness of the government propaganda informing the public (including the business sector) that the situation of the Polish economy is and will be relatively good was clearly visible until 2012 (the main arguments were: the GDP growth and sound public finances). The government managed to convince some entrepreneurs not to limit their investment and employment since the economy was not collapsing and would quickly return onto the path of high growth. A large number of households continued to increase their consumption driven by the prevailing belief that there was no real threat of job loss and reduced income.

The main reasons for the deterioration of public mood in the case of entrepreneurs:

– a growing belief that the restoration of high growth will occur much later than thought until recently (mainly due to developments in the Euro zone),

[4] After a decline in revenue in the corporate sector in 2008 by almost 30% (compared to 2007), already in 2010, Polish companies achieved the best results in the history.

– insufficient government support in facilitating access to relatively cheap credit (continuously high interest rates, difficult to meet criteria for awarding bank loans, a small scope of government loan guarantees),

– the lack of a long-term, consistently pursued economic policy which would provide the basis for investment decisions (e.g.: frequently changing priorities, unstable tax system).

In the case of consumers the main reasons for the deterioration of public mood are as follows:

– a rising unemployment rate and increasing redundancy announcements,

– declining nominal wage growth leading to stagnation in real wages,

– decreasing non-wage income (limiting privileges of certain social groups, more difficult access to benefits),

– announcements of a freeze on wages in the public sector and reducing indexation of disability benefits and pensions,

– a wide information campaign informing the public that pensions will be increasingly lower in the future,

– tightening of criteria for granting consumer loans,

– increasing employment on the basis of the so-called "junk contracts" (for a short period, with the salary which is often less than the current minimum wage). Currently approx. 26% of all workers are employed on such contracts.

The author of the paper believe that the government does not have much of a possibility to improve this public mood in the short term. In particular, if the rate of GDP growth were to decrease and result in massive layoffs[5]. The government will probably not withdraw from most of the decisions to rationalise and reduce costs. There is also no indication that there exists a prepared strategy of economic recovery attractive for the public. Positive adjustments may affect primarily the credit policy, both for investors and consumers alike.

Poland is still very careful in using its fiscal and monetary policy to stimulate its economy by increasing demand.

In most countries, possibilities of stimulating demand by lowering interest rates have been exhausted since these are generally at a low level of 0.25–1% (USA, Japan, the European Central Bank in the Euro Zone). In Poland, the basic interest rate of the central bank is relatively high, even in recent years. In 2008, it amounted to 6%, in the years 2009–2010 it was reduced to 3.5%, but in mid – 2012 it reached the level of 4.75%. In the last three months, it has been reduced frequently to reach 2,5% due to the fall in the rate of GDP growth and lower inflation.

[5] Such a situation would not necessarily lead to a drastic increase in unemployment since Poland's accession to the EU in 2004 provided a sort of safety valve on the labor market in the form of job opportunities abroad (often below employees' qualifications). Currently there are about 1.5 million Poles working in the EU countries.

The standing of the Polish economy has not created strong pressure to increase the supply of money, since:

– in the first phase of the crisis consumer demand was stimulated by the cash flow resulting from previous decisions to cut taxes and disability pension contributions,

– there was no need for large financial aid for the financial sector as its activities had not been severely disrupted (to a large extent, it was a positive effect of Polish legal and institutional regulations in force in this sector),

– there were no spectacular bankruptcies (or the threat of bankruptcy) of large companies that are important to the economy. There was, therefore, no need for financial aid from the state.

At the same time, growing financial needs of the state were realised without major difficulties due to a relatively high degree of confidence in the stability of the Polish economy. The expression of that confidence was high demand for government bonds reported by foreign and Polish investors that did not want to engage their funds in investments increasing fixed assets. This allowed to sell bonds at a relatively low rate of interest. For instance, the yield on ten-year bonds in the secondary market fell from around 5.7% at the end of 2011 to 3.9% in early 2013.

Taking into account the above presented considerations, it seems that Poland's economy has avoided violent shocks in the current crisis. The Polish economy is characterised by considerable stability and predictability, yet the falling rate of GDP growth starts to raise increasing anxiety. This favourable situation was achieved under the conditions in which the economic policy of the state was aimed at limiting rather than actively stimulating demand. Perhaps the falling rate of GDP growth is a signal indicating that Poland's success is a short-term one and negative effects of inadequately stimulated demand, particularly investment demand, selectively targeted for specific purposes, are increasingly visible.

However, in many countries (including the USA and the "old" EU), the trend for active use of fiscal and monetary policies as instruments creating in times of crisis demand for the implementation of selective objectives set by the government is clearly seen (LARCH, TURRINI 2009). While at the initial stage, the objective was to quickly boost consumer demand (starting with Bush's decision to allocate nearly $ 180 billion for bonds for the poorer part of the population), in the second phase the focus was on saving failing business entities, and not just financial ones (e.g.: General Motors). The third phase is primarily concerned with creating better opportunities for social and technical infrastructure during the crisis, as well as modern sectors of the economy based on high technology. It seems that the U.S. administration has focused more on infrastructure (social security reform, education funding, health care, development of the Internet) and the EU concentrated on the development of technology (reduction of CO_2 emissions, renewable energy, nanotechnology).

Incurring expenditure on the implementation of the third stage, a long period of return and related high risk should be taken into account. Success, however, will allow to achieve a profitable competitive advantage in the global market in the future. Measures characteristic of the third stage were barely visible in Poland in the period of the crisis, the only examples being investment programmes financed by the EU funds. They focused mainly on technical infrastructure, particularly on spending on roads and motorways. These programmes, however, are gradually drawing to a close as the money from the EU is running out. Insufficient funds are allocated (and this has been a long-term practice) on research and development. It constitutes only 0.57 – 0.74% of GDP, which places Poland at the bottom of the EU ranking. The share of high technology products in production and export is similar. Investment plans for the coming years regarding research and development of modern technology are still treated marginally. This approach is going to consolidate the Polish position as a manufacturer and exporter of low-processed and low-tech goods, which must be seen as the most negative effect of the economic policy implemented in Poland during the current crisis.

Conclusions

1. Poland's economy during the period of the crisis has remained relatively stable without the necessity of receiving extraordinary outside aid.

2. This is due to a variety of reasons:

– advantages of Poland;s backwardness,

– influx of EU funds (Poland is the biggest beneficiary of the EU budget),

– the effects of decisions concerning changes in the tax and social security systems taken for political reasons (prior to the crisis),

– withdrawal from a capital-funded pension system,

– a cautious monetary and anti-inflation policy consistently pursued for many years.

3. Measures aimed at reducing spending prevail in the economic policy. Undertakings that stimulate consumption and investment demand are avoided.

4. The paper has raised the hypothesis that the current, relatively favourable situation of the Polish economy is more the result of its unique determinants than the economic policy pursued during the crisis differing quite significantly from the policies prevailing in the United States and the countries of the "old" EU.

5. It seems that the answer to this problem is not obvious and the next few years will probably show which option of the economic policy pursued during the crisis (Poland's economic policy or the policy of the "old" EU and the USA) is more effective.

Translated by Joanna Działo

Accepted for print 9.12.2013

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