Czego uczy nas historia gospodarcza?

12 ROZMÓW NA TRUDNE CZASY

What used to drive and what drives the Polish economy today?

Prof. Paweł Grata and Andrzej Pieczewski, Prof. of the University of Łódź discuss.

Paweł Grata: Good morning. Welcome to the latest conversation in the series "What does economic history teach us? 12 conversations for tough times". A talk that is part of a project under the same title, funded by the Ministry of Science and Higher Education's programme The Social Responsibility of Science. Our guest today is Professor Andrzej Pieczewski from the University of Łódź, an economist, with whom we will talk about what drives, what has driven, and what will drive the Polish economy in the past and today. This is another lesson in what economic history teaches us. Professor, how would you, in this short conversation, try to characterise those factors that have been the driving force behind the Polish economy over the centuries and what does it look like today?

Andrzej Pieczewski: Of course. You have given me a very difficult task, Professor, because what has driven and drives the Polish economy, of course, as you mentioned, has a myriad of factors. From typically economic, demand-supply, technological, political, military, climatic even. Not just today. So there is a lot of it. It's a very difficult task. I apologise in advance that I won't be able to cover some things in this short talk. As far as the factors which have driven the Polish economy are concerned, I would also like to point out straight away that this question is tantamount to the question of what has held the Polish economy back, which is why I will, of course, mention both the brakes and the accelerators in my speech. I do not want to go far, but among such megatrends, which we still have echoes of in our country today, I may surprise you, but the 10th century and the Baptism of Poland and the adoption of Christianity from the West, not from the East, not from Byzantium, not of orthodox Christianity, but of the Western version, set us on a certain path of development for centuries, for centuries. With the adoption of Christianity, we have the reception of feudalism, Western law, customs, and over the following centuries, so somewhere up to the 13th century, tribal structures pass away, are replaced by more modern, then feudal structures. Another such time, a cycle that stands out in Poland's economic history, was the 14th to 15th century, when we import people, colonists from Western Europe, from Saxony, but not only, from the Netherlands. It also imported western institutions and laws, and Poland became permanently associated with western culture, western material culture, farming methods and certain economic structures, still feudal at that time, of course.

But modern for the time.

But modern for the time, of course. This importation of both people and institutions from the West was so effective, so good; I would still mention the 14th century, of course, Western Europe plunged by the plague, pogroms against the Jews, our kings accepting the Jewish community, it was also an importation of human capital. It was good enough for the times that in the next century and the century after, Poland flourished, becoming a military and political power at the edge of Western European civilisation. In the 14th and 15th centuries, however, certain things began to happen in Polish politics which, in turn, changed the course of Polish development a little, not even a little - I use the euphemism here - radically. Namely, if in previous centuries we had been developing in the same direction as Western Europe, then from the 15th century onwards, this direction started to be slightly different, the opposite. Namely, the changes started in politics, and this is what shows how important politics is for the economy. It started with the fact that our King Louis of Hungary, and we were then a hereditary monarchy, had no male descendant and asked our nobility for his daughter to inherit the throne. The nobility agreed in exchange for privileges, the then famous Kosice Privilege, exempting the nobility from a large part of taxes. Then his daughter Jadwiga married Jagiello, the prince, becoming king of Poland and bestowed further privileges on the nobility. The nobility grew in political power. Soon Poland became an electoral monarchy and the nobility were already electing kings themselves. The nobility monopolises power. The nobility subjugates all other layers, especially the peasants, but also the bourgeoisie, the cities lose their independence. The nobility, to reiterate, has a monopoly on political power and, with this monopoly, begins changes in the countryside, increases serfdom, reduces the freedom of the peasantry. This is the 16th century, it coincides with the demand for Polish grain. In the West there is this demand impulse, the nobility exports grain, gets rich, uses cheap, I should say, almost slave labour in the form of peasants. And what is happening is that the West is already moving towards defeudalisation, a commodity-money economy, commercial capitalism, while Eastern Europe and the Commonwealth is moving towards refeudalisation, deepening feudal relations. Money is not as important in circulation as in the West. We are moving more towards a natural economy. These phenomena set Poland on a trajectory of apparent development and, in fact, already a certain economic decline and, finally, in the 18th century, political decline, in the form of the partitions. While partitioners ruled our territories, modernity comes in.

The only question is, where does it come from?

This is debatable. Generally in the public space there is such a view that our backwardness is due to the fact that we were under partition and it was the partitioners

who counteracted this, stopped this progress. This is debatable because the Polish nobility, the politically ruling class, was very conservative and didn't want to leave their privileges, to give them away. But in the 19th century we finally have the personal freedom of the peasants and we have the enfranchisement of the peasants, that is, the granting of land to the peasants, that is, to the rightful owners, and we have the beginnings of capitalism. I have to add that as far as Europe is concerned, this process, well, the territories here, the Polish lands were among the last to have just done, on which they did, enfranchisement. So we entered this capitalist world as one of the last.

But we have the example of your home town of Lodz.

Yes, yes. Of course, industry also developed during the Partitions, and quite vigorously. Each partition had its own specifics. In the Prussian partition, of course, Silesian industry, mining and metallurgy should be singled out, in Poznań the machine industry, well, or, as you mentioned, the creation of Łódź, the great factory city, or the Łódź District with its satellite cities. The great textile industrial district, which was the largest centre of textile production in the lands of the tsarist empire. So the driving force in the 19th century was undoubtedly institutional change. The enfranchisement of the peasants, the granting of freedom, and the beginnings of capitalism. The deconstruction of the feudal system, that was the biggest driver, plus, of course, as far as the Russian partition was concerned, the opening up of the great Russian market for a time. Each of our partitioned districts had access to the greater partitioned market.

At the beginning of the 20th century, Poland regains its independence. Finally, we cannot complain that we are being held back by the partitioners. But. There are many buts.

Yes. It is very difficult to assess the Second Republic, because certainly great respect for the enormous effort, managed to create the state from the beginning, to merge, to unify the law, the currency. It is a very difficult interwar period. The very beginning is the Polish-Bolshevik war.

First World War losses.

Yes, huge.

Dismantling, robbery.

Yes, we were not lucky. The First World War, the main eastern front passed through our land, so huge losses, and immediately after independence, the Polish-Bolshevik war, then the Silesian uprisings, then the suppression of the great inflation. And then a few

years of peace and then came the Great Economic Crisis, the greatest catastrophe of the capitalist economy in history, which affected our country greatly. As far as successes go, and are there still brakes, as a brake I think that the failure to fully implement land reform held our country back, because we were an agricultural country. More than 70% of the people lived in the countryside, lived off agriculture. Agriculture was the main contributor to national income, over 50%. Agriculture, our countryside was overcrowded, poor, unemployment prevailed, it is estimated that 4 million people were simply unemployed in the countryside. And next to it lay the land of the estates, the former estates of the nobility. On the other hand, what happened? Well, unfortunately, the May Coup, which curtailed democracy in Poland, in 1926 made the landed gentry lobby politically strong enough to be able to stop agrarian reform, land reform. Because of this, the Polish countryside continued to lie dormant. Undoubtedly, one of the successes was that which stimulated the economy, namely the construction of the Central Industrial District, such typical Keynesian anti-crisis investments. The construction of Gdynia is something we are all familiar with. But here again, politics played a role in the economic fortunes of our country. The Second World War, huge losses in human capital, huge losses in material capital, and immediately after the war we came out with changed borders and the Soviets funded us with a political, economic and social experiment in the form of real so-called socialism. What was driving the economy and what was holding it back during the PRL. The People's Republic of Poland was a bizarre creation, after the fashion of Marx's ideas and basically the practice of Lenin and Stalin. The creation of a completely different, different system from the market economy. Initially, this system carried out land reform, it did what had not been done in the inter-war period, namely it abolished illiteracy in Poland. The Soviet model, on the other hand, only made the economy grow in the short term. In fact, we are talking about the first few years after the war, or the first decade roughly, although this is also overstated. Then, unfortunately, the Soviet model led to stagnation, it was inefficient, it had all the sins of the socialist economy - labour intensity, energy intensity and, just as we say about a market economy, in a capitalist economy we have the invisible hand of the market, which perfectly matches demand to supply.

It pools resources with each other, entrepreneurs, capital and so on.

It was under socialism that we had the invisible hand of socialism, which was able to destroy everything. This period is judged by economic historians as, despite its initial development and those successes in the fight against illiteracy, it did not push Poland forward. This was evident after the systemic transformation, when our industry, which came out of the incubator, turned out to be socialist. that it was very outdated compared to what was already happening in the world.

Then comes the transformation - back to the free market and again, what inhibits and what supports. Will we move again to institutions?

Yes, undoubtedly. And not because I deal with institutional economics in general. Poland in the course of the second half of the 20th century underwent two radical systemic transformations. Turning everything upside down, just as communism abolished the market and introduced socialist orders, the transformation of the 1990s very quickly overturned socialist orders and restored to Poland a capitalism, based on private property and based on personal freedom, that was culturally closer to us. The reception of communism in Poland did not go so well; even Joseph Stalin said that teaching communism to Poles was like saddling a cow. It is very difficult. The second transition to the market, to freedom, to a democratic political system. It was very painful. The author, as we know, was Professor Leszek Balcerowicz, and the transformation itself was called, because of the speed and radicalism with which it was introduced, shock therapy. Quite painful. On the other hand, after the shock of the transformation and the transformation crisis, our production and GDP growth rates were only going up, and now we are talking about an economic miracle of our country, a precedent I cannot even find in the past or in the more recent history of Poland, a precedent of what is happening now. That we have been able in a short period of time, 30 years, to come very close to Western countries in terms of income levels, modernity.

I would like to hazard a guess at this point, Professor, that the current situation, bearing in mind all the differences, including those resulting from chronology, is very similar to what you mentioned earlier. This 14th-15th century, when modern Western feudalism is adopted by Poland and it also makes up for these earlier laggards, because there is the plague, there is the crisis of the 14th century. It looks a bit like a similar situation, that again there are factors that support us and again we are on this western side of civilisation. Eastern customs have once again been rejected, Eastern institutions. And then there is another factor - European integration.

Yes, of course. You, Professor, made a great analogy to this very 14th century. Well, of course, there would not have been such a success without Poland's integration into the European Union. During the period of transformation, and it should be stressed that Polish society and politicians were unanimous, whatever option someone represented, an ordinary citizen or a politician, they agreed on one thing. We are going West, we are integrating with the West, we have to enter NATO, we have to enter the European structure. This allowed us to act quite unanimously in this direction. As you know, where there are five Poles, there are six. But in this case, where there were five Poles, there was

one sentence, the direction was towards the West. The EU accession process not only gave us some funds for modernisation, of course, but forced our country to import modern institutions from the European Union, modern laws at every level. This made our country modernise all the time and it is modernising all the time. After joining the Union, of course, we were given access to huge funds, to the Cohesion Fund, which we used to the full. This allowed us to modernise our infrastructure, almost every area of life. We got access to the huge market of the European Union, our credibility as a country on the international arena definitely increased. This has attracted investment from multinational corporations, carriers of modern organisation and technology, and thanks to this our country has modernised and achieved great success over the last 30 years, and we are catching up with the core of the richest countries in Europe, so to speak. Of course, it will still take time, but even so, the leap is already incredible and our country is said to be the leader of economic development in the region.

This sounds very good and optimistic, but are there really no brakes, no factors that could disrupt this process?

Of course they are. Generally speaking, it is a very good thing that we are on this side of a wall, I do not want to say a wall, but I think the current geopolitical situation allows me to say that. We find ourselves among countries that are civilisationally closer to us, among countries that are one of the centres of world civilisation. Whether there are threat brakes, such as Moscow's activities. There are also internal, purely economic or demographic ones. Our society is ageing, these gaps in the workforce will have to be filled in some way. The quality of public services in Poland has a low level compared to Western countries. So there is much to be done. Above all, I will again stress the importance of politics. While we talk about the Polish economy as a great success, Polish politics is, or Polish democracy in institutional rankings is described as a flawed democracy. Our political world is not yet of the quality it should be. Here, too, I see some...

Let me interject a question. Is it possible to put forward the thesis that the economic success, the transformational success has taken place in spite of the fact that this world of politics is what it is?

Generally, the starting point of my reflections is such a mature Western democracy. We are far from that. However, the level we are at is not bad either, it is not tragic. Absolutely. However, the political culture of our world, of politicians, but also of Polish citizens, is not so high. We are not yet a high-level civil society. A lot of Poles do not vote, a lot of Poles think that someone decides for them anyway. These are habits from the previous system or even from previous eras. However, this is not behaviour worthy of a citizen. Let us also

take an interest in politics, let us certainly vote if there are elections, and let us express our feelings and dissatisfaction. Let us create a civil society. This will certainly have a good effect on the economy in the long term. This was the subject of the recent Nobel Prize in Economics, which was awarded to three professors from the United States who had just studied the impact of the political world on long-term economic development.

It can therefore be summarised that this potential is high, because some success has already been achieved, and we still have large reserves in the sphere of institutions. If these reserves are utilised, although it seems, one can see, that it is however easier to change the economy than the human mentality, which is understandable, then indeed these drivers will become stronger and stronger. Can we sum up like this?

Of course, I will only add if I may, that the longer we are in this western circle, that is to say in practice in the European Union, the more deeply we will modernise. Not only in such hard, so to speak, economic and political aspects, but there will also be a modernisation of mentality. we will become more westernized. It can be seen from the youngest generation that these changes, these 30 years of freedom, independence, democracy have done good.

These will be further factors that drive the Polish economy. This is what we have to count on and I think we will end with this conclusion. Thank you very much Professor. My guest was Professor Andrzej Pieczewski, an economist from the University of Łódź. Thank you very much once again.

Thank you.