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THE COMPARATIVE ANALYSIS OF POLAND AND GREECE: SHORT-TERM POLICY ERRORS VERSUS LONGER-TERM RATIONALITY

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1. Introduction

The per-capita GDP of Greece in 2000 was nearly 70% higher than that of Poland. In 2000–2010 that difference was almost entirely eliminated, and by 2019 Poland's per-capita GDP was 9% higher (Figure 5). The elimination of this very large difference in per-capita GDP between Greece and Poland in 2000 was caused by the fact that the Greek government was forced to respond to the rapid increase in the cost of servicing public debt in 2008–2009 and the prospect of the certain bankruptcy of the state, by taking defensive measures, such as lowering salaries and pensions in the public sector and raising taxes. However, those stability measures were belated and very costly, causing a drop in the GDP by 25% and a surge in unemployment.

The impact of any unforeseen shock is influenced by countries' internal ability to absorb such a shock, hence by their earlier macroeconomic policies, particularly monetary and fiscal. That ability is a form of capital. Accumulation of that capital serves to meet long term stability ends, but reduces the chances to win and preserve the short-term political power. The comparison between Greece and Poland informs about the choices made by those in power in these two countries in the period 2000–2020.

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Although this downturn in Greece in 2000–2019 was much more unfavourable than what happened in Poland in the crisis year of 2020 and what is being forecast to happen in the following years, it may be treated as a warning for Poland for the coming 15–20 years. This is in view of certain actual and projected similarities: excessive growth in the number of pensioners, declining investments in relation to the national income, the worsening financial performance of businesses (including banks), and large state budget deficits, actual for 2020–2021 and projected for the following years, causing public debt to grow significantly in relation to the GDP (Gomulka 2020).

Figure 1 and 5, Statistical appendix

2. Institutional differences

Poland is not, and in fact cannot be in the near future, close to being a second Greece on account of several reasons, among them two institutional differences. The first one is that Greece has been a member of the euro zone since 1 January 2001. Greece ignored the financial criteria of euro-zone membership and – with a public debt of around 100% of the GDP – did not meet those requirements even on the day of its accession. The European Central Bank (ECB) and the euro-zone countries nevertheless agreed to Greece's membership – under the circumstances, their decision was the first serious mistake. From 2001 onwards, however, a decisive majority of citizens did not want to return to the country's national currency, and neither did consecutive governments.

The second difference pertains to compliance with rule-of-law requirements. Unlike Poland, Greece did not have, and does not have, problems in this respect. This particular difference has worked and continues to work in Greece's favour.

As a result of Greece's euro-zone membership, the yield on Greek government securities in the years preceding the outbreak of the global financial crisis in 2008 was very low, close to the yields on German or Dutch securities and lower than they should have been. This encouraged the Greek authorities to pursue a populist fiscal policy that was politically motivated in the short term. In addition, businesses and households were encouraged to take out large bank loans.

Figure 2. Statistical appendix

3. Mistaken decisions by financial investors, their correction, the risk of Greece's bankruptcy and conditional assistance

The financial markets made a mistake before 2008–2009 by assuming that all the EU member states, especially the euro-zone members, would comply at least approximately with the Maastricht criteria regarding fiscal policy. For Greece, however, non-compliance became a rule, on a large scale at that.

Figure 3. Statistical appendix

Moreover, the Greek authorities made another mistake that was very costly for the country: they assumed that the investors operating in the financial markets would not correct the mistake that they had made by ignoring considerable differences in investment risk between the euro-zone countries depending on each country's fiscal policy. Such corrections were not made until 2008–2009, but in response to the world financial crises they were very rapid and very costly for Greece.

Figure 4. Statistical appendix

The debt servicing costs rose so considerably that Greece was certain to go bankrupt without help from the ECB (the purchase of Greek securities to reduce their yield to below 7% a year) and from the International Monetary Fund (IMF), as well as directly and indirectly from other euro-zone countries.

The help that was offered needed to be great in scale and spread out over many years, so it had to be – and was – conditional. Greece was forced to agree to cut employment and salaries in the public sector as well as most pensions and to increase budgetary revenue also by selling off some of the state's assets. Actual measures had to be, and ultimately were, significant enough to lead to a nearly zero deficit in the public finance sector and even to a budget surplus for several years.

Remaining in the euro zone entailed, and continues to entail, such benefits as low inflation, low costs of loans for businesses, and above all avoidance of likely mass bankruptcies of indebted companies and households. The costs of the Greek government's mistaken policy included a deep recession that continued for many years and was coupled with a large rise in unemployment and considerable emigration. Nevertheless, the very large public debt of around 200% of the GDP still remains a problem. In such a situation, maintaining credibility in the financial markets now demands that Greece continue, with the exception of the short period of the pandemic, a policy of maintaining its public finance sector deficit at more or less zero.

4. Poland's case

4.1. Effects of avoiding a bank crisis

In 2008–2009, Poland benefited from the prudent policies adopted by its Monetary Policy Council (RPP) in 2001–2007, the aims of which included preventing the explosion of "bad debts" in the financial sector (Gomulka 2016, 2018). As Poland did not make the same mistake that was made by the governments and financial authorities in the United States, the UK, Ireland, and the Baltic countries, it was consequently the only country in the EU not to experience a crisis in its banking sector. After 2007, Poland's fiscal policy was rather expansionary yet aimed at keeping the public debt below the constitutional limit of 60% of the GDP and the costs of servicing this debt below 2% of the GDP. The effect of those two policies, the monetary policy and the fiscal policy, was that although many businesses were hard-hit and the state budget took over half of the funds in the Open Pension Funds (OFE), Poland avoided recession on the scale of the whole economy and was indeed a "green island" of positive growth against the "red map" of the EU. In turn, Poland's accession to the EU in 2004 had opened up the job market for the Poles in several EU countries, making it possible to reduce the unemployment rate in a significant way.

4.2. Effects of the pandemic and two questions

However, the global health crisis in 2020–2021 has created threats for the global economy that are greater than those caused by the financial crisis in 2008–2009. This time, Poland is not only experiencing a major recession, but also an exceptional surge in the public debt in relation to the officially projected level of over 60% of the GDP in 2020 and 2021 (calculated using the EU methodology). Moreover, we can expect the coming years to bring a combination that may be dangerous to macro-financial stability: rising public expenditures in relation to the GDP and a slowdown in economic growth, which also translates into lower growth in budgetary revenue. Significant surges in the ratio of public spending to the GDP should be expected primarily in two fields: healthcare, from around 4% of the GDP now to around 8% in 10-20 years' time, and minimal pensions, assuming that current statutory retirement age is maintained at 60 years for women and 65 for men, from around 1.5% of the GDP now to around 4.5% in 20–30 years.

Hence, we arrive at two questions:

1. Given the causes and the size of the Greece's crisis: What consequences might this dangerous combination entail for Poland?
2. How will these consequences be influenced by the two differences between Poland and Greece, namely: (A) the fact that Poland is not a member of the euro zone and (B) Poland's conflict with the EU against the backdrop of the country's worsening compliance, or rather growing non-compliance, with the principles of the rule of law enshrined in treaties?

We still do not know the full answer to the first question, although it is crucial to have it for forecasts for development of the situation over the next 20–30 years (Gomulka, 2020). Consequently, I will restrict myself to a proximate answer to the first question, and attempt to provide an answer to the second.

5. Effects of Poland being outside the euro zone

The main consequence of the fact that Poland remains outside the euro zone is the country's reduced credibility as a debtor in the capital markets. As a result of such lower credibility, the yields on the Polish government securities required by investors are several times higher than yields on German, Slovak, or Dutch securities. Such lower credibility also results from the fact that per-capita wealth in Poland is only around one-sixth of the levels reported in such countries as the United States, Japan, and Germany. Poland's foreign debt, both public and private, is not very large in relation to its GDP, but compared to those countries it is relatively high in relation to the whole of financial and physical wealth. Growth in national wealth depends on how savings-focused the behaviour of households, the public authorities, and companies are. In Poland, the propensity to save on the part of households is exceptionally low, and on the part of the public sector it has been and will likely remain systematically negative. As a result, national savings are low, and so the ratio of national wealth to the GDP will remain on a relatively low level for many years.

High risks for the stability of an emerging economy such as Poland become particularly visible in periods of heightened uncertainty in the global financial markets. We are seeing such uncertainty during the time of the global pandemic, 2020–2021. The response by foreign investors to this uncertainty in 2020 (one of several such responses) was to sell shares in Polish corporations and Polish government securities. The WIG20 index has fallen from around 2,500 in 2018 to around 1,600–1,800 in the second half of 2020. Capital outflow has been so large that the zloty has weakened despite a significant surplus in the current account. Under the circumstances, if the supply of government securities increases significantly, we may witness a large rise in the cost of servicing public debt.

In addition, rising pay levels, financed partly through money-printing, and the depreciation of the zloty could lead in general to a (considerable) surge in the inflation rate and therefore also to an increase in interest rates. We are already observing such a course of events in Turkey. High inflation, high interest rates, and uncertainty about the zloty exchange rate would increase investment risk and therefore reduce investment, which means that it could generally lead to near stagflation (Gronicki, Hausner, 2019). The likelihood of such a course of events in Poland's economic situation may not be great, but in view of the potentially high social costs it should be treated as unacceptable already at the level of a 5% or higher chance.

6. Conflict with the EU and Polish businesses

A proposal was recently made by the EU authorities and net donor countries to increase significantly, by 750bn euros, -of which nearly half in the form of grants, the pool of the EU budgetary funds for Member States most affected by the coronavirus health crisis and climatic changes. The countries that would benefit most from this new Reconstruction Fund (RF) are Spain, Italy and Poland. This exceptionally large assistance would be disbursed in the next three to five years on the condition that they observe the principles of the rule of law applicable in the EU. In response to this proposal, the governments of Poland and Hungary have initially warned that they might veto the EU budget for 2021–2027 if the condition is not effectively dropped altogether or at least substantially weakened.

The proposed link between the disbursement of EU funds, both budgetary and the RF, and the observance of the principles of the EU rules of law has been strongly supported by the European Parliament, and in July 2020 accepted by the EU Council. Following this important, legally binding decision, the governments of Hungary and Poland demanded, under the threat of veto of the EU budget for the perspective 2021–2027 and the RF for the years 2022–2025, and in the end obtained a partial, but not full, acceptance by the Council on 10 December 2020 of the rules of implementation for this proposed link of the mechanism to the disbursement of EU payments to Member States. The legal, political and, especially, economic consequences of the July and December Council decisions, both immediate and long-term, are nevertheless still likely to be strongly supportive of the EU project.

The formal acceptance of the original interpretation of the condition has strengthened the view that the long-term aim of the present government of Poland is not a British-style Polexit, but a Polexit from some important institutional and policy parts of the EU project. These concerns have been articulated by a former member of the Poland's Monetary Policy Council in the following way: "Polexit means taking a sequence of steps that would transform an emerging market economy into a re-emerging state economy, which may lead to an economy in state of emergency" (Wojtyna, 2020). A similar concern is noted and discussed by the authors of the Polish Academy of Sciences Report (Wiilkin, 2019) and supported by an empirical study (Kowalski, 2021).

The central attention of the EU institutions to rational long-term concerns and policies aims to reduce the risk of such costly consequences.

7. The key stylised facts of economic growth

The statistical data on global long-term economic growth have certain fundamental characteristics, termed 'stylised facts'. In Gomulka (2017) I present and discuss my proposed list of such facts. These are 2 facts with respect to all countries, 3 with respect to the most developed countries, forming the world's Technology Frontier Area (TFA), and 2 with respect to non-TFA countries. Both Greece and Poland have been and still are catching up, so they belong to the non-TFA. In this paper we make comparisons of the two countries with the most developed countries. My stylised facts for these two groups are as follows:

With respect to the Technology Frontier Area (TFA) countries:

1. During the past two to three centuries, there has been a far more rapid growth of inputs of labour and capital in the sector producing qualitative changes than the growth of inputs in the sector producing conventional goods;
2. The trend growth rates of inputs in both sectors have been during that period stable over time. Likewise, the growth rate of the ratio Y/L, output

per manhour, has been stable, although very much higher (an order of magnitude greater) than during the many centuries that preceded it;
3. The trend rate of growth of the ratio Y/L has during the last two centuries been and is relatively stable over time, differs to a small extent between countries, and depends weakly on the ratio of investment to the gross domestic product (GDP).

With respect to non-TFA countries:

4. The trend rate of growth of Y/L varies strongly over time and between countries;
5. The growth rate of Y/L is strongly dependent on the level of investment as a fraction of the GDP.

As noted in facts 1 to 3, during the last two centuries there has been little variation over time and across TFA countries in respect of some key macro variables. In non-TFA countries we have a completely different set of data: a large variation over time and across countries in respect of key macro variables and a marginal contribution of their own inventive activity to the world inventive output. This suggests a fundamental role of factors determining international technology transfer from the TFA, hence the key role in those countries of institutions and economic policy, to determine the rate of economic growth.

8. Various categories of shocks: What kind is the current shock? What is the main objective of the central authorities' economic policy?

In general, shocks typically have major positive or negative consequences in the short term, but little impact in the long run. Over the past century, there have been several major fluctuations that had primarily short-term effects, including two world wars, the Spanish flu epidemic in 1918–1920, and the global economic crisis of 1929–1931. In recent years, such events have included what proved to be an almost global financial crisis in 2008–2009 and the current global health crisis caused by the COVID-19 epidemic.

In the case of the ongoing health crisis there is a novel destabilising development, as the main public measures taken initially have the nature of administrative restrictions that reduce the number of deaths at the expense of employment and GDP levels in the medium term. The purpose of the state's policy in the course of the epidemic is to minimise total costs, not just the economic ones. Under the circumstances, it is extremely hard for the authorities to find a (nearly) optimal policy. The goal is rather or seems to be to avoid making major mistakes. But the second round responses of governments and central banks to initial large economic costs are quite similar to those taken during the financial crisis in 2008–2009.

It is interesting that China and several countries of Southeast Asia have reported far fewer COVID-19 cases and deaths per 100,000 inhabitants than the European countries, including Poland, and the United States, and far lower economic costs measured as percentages of GDP. The reasons for this disparity remain poorly studied.

9. Past errors and new risks for Poland

Poland also suffered a major financial and economic crisis in modern times. This happened in the years 1979–1982, with the GDP falling by 24% and the foreign debt to countries ceasing to be serviced in 1981 (until 1991). That crisis, similar in size to that of Greece's, was caused also by the government policy of a large expansion of both investment and consumption at the same time (in the years 1971–1976), financed to a significant extent by foreign borrowing. In both cases the short-term motivation for the government was the same: to gain and maintain popular support and political power.

As noted earlier in the paper, Poland avoided mistakes of many other countries in the years 2000–2007. However, after 2007 problems started to appear and accumulate in the energy sector, water supplies, environment qualities, and in the pension system. In most countries of the EU financially and politically costly reforms started a long time ago to address similar problems in order to meet rational long-term objectives. However, in Poland the energy sector, for short-term political gains of the government, has continued to be dependent almost entirely on coal. Two reforms of the pension system were initiated at a political cost, but one of them, on the retirement ages, for short-term political gains, was reversed in 2017.

The consequences of these mistaken short-term policies are now becoming socially apparent and economically large. Poland has become a major importer of coal and electricity, the coal industry is strongly loss making, unit energy costs are internationally high and increasing, the air pollution is killing apparently some 50 thousand people a year, future pensions are expected to be either very low or heavily subsidised, posing in the latter case a threat to public finances.

Circumstances hindering the pursuit of sound fiscal and monetary policies can be summed up as follows:

1. Poland has only a moderate credit rating, because it is not a member of the euro zone and is not expected to become one soon.
   The country's financial and physical wealth per capita remains low, in relation to GDP only about 1/6 of the levels in the USA, Germany or Japan. Budget deficits of the general government are a rule, not an exception. In the Accession Treaty of 16 April 2003, Poland agreed to adopt euro as its national currency, but the date of this adoption was not specified. The world financial crisis in 2008 started in the USA and the UK, but it affected also severely several countries of the Eurozone. The absence of the banking sector crisis in Poland also served to strengthen the confidence of the population in the Polish currency and the national Central Bank. All these reduced drastically the public support for the early replacement of the zloty by the euro. A large increase in the budget deficit, to about 8% of GDP in the years 2009 and 2010, reduced also the initial enthusiasm of the government to adopt the euro, as that adoption required a considerable tightening of the fiscal policy. During the last 5 years there are no longer banking problems in the eurozone, but in 2015 a fairly Eurosceptic government came to power in Poland, with a message to financial investors that an early entry of the country into the eurozone is out of the question.

2. Low domestic savings in relation to the GDP, caused chiefly by the very low propensity of households to save
   Under the old socialist system people had no good reason to save money. The unemployment rate was close to zero, housing and pensions were provided by the state, and private businesses were discouraged. Under the present capitalist system most households continue to have either little reason to save or small incomes from which to do so. Total bank deposits by households are now in Poland only about 40% of the GDP.

3. Low domestic private investments
   Small domestic savings are a constraint on domestic private investments, which at about 10–15% of the GDP are in consequence low by international standards, and very low by the standards of South-East Asia countries. Private investments are relatively sensitive to the quality and

independence of the judicial system, which in Poland has been deteriorating since 2015. This factor and the pro-consumption fiscal policy of the government have had a powerful impact on the ratio of gross private – domestic and foreign – investments in GDP since the end of 2015. The ratio was 15.2% in 2015, but declined to 13.3 % in 2016, 12.2% in 2017, 11.7% in 2018, 12.1% in 2019 and 8.6% in 2020.
In these circumstances exceptionally important roles are played by investments financed by the EU and the state budget (about 45–46% of the GDP).

4. A projected considerable rise in public expenditures in relation to the GDP (chiefly on health and pensions)
Public expenditures on health in Poland (at about 4.5% of the GDP) are relatively modest by the standards of other countries of the EU; they are expected to go up within the next 10–20 years to about 8% of the GDP. The minimum pension is set at 20% of the average wage. To keep this pension at that level costs the budget now 1.5% of the GDP, but is expected to cost about 4% of the GDP in 20–30 years. To increase incomes of all (nearly 10 m) pensioners the government introduced recently the 13th and 14th pensions, with a total cost of about 1% of the GDP.

5. No public approval of any increase in the formal retirement ages coupled with the destabilising effects of the actual lowering, three years ago, of the formal retirement ages to 60 for women and 65 for men.
As with time people live longer, in most countries of the EU obligatory retirement ages have been increased. Poland is an exception, the consequence of which is a steep increase in the number of low-income pensioners and, consequently, a significant increase in the public debt.

6. In the next 10–20 years, Poland will not avoid a drop in the trend rate of GDP growth per person employed from around 3.5% over the past 30 years to around 1–1.5%,
This inevitable decline in the rate of growth is associated with the ending of the catching up process (Gomulka, 2018, 2020)
In view of the factors listed above, we can realistically expect the coming years to bring a combination that may be dangerous to Poland's macro-financial stability: growing public expenditure in relation to the GDP and a slowdown in economic growth, which also translates into slower growth in budgetary revenue.

10. Longer term and global factors and concerns for the EU, their impact on short-term policies

10.1. The energy sector and the quality of the environment

The shift away from a carbon-based economy started in the UK and France in the 1970s, with trends towards nuclear energy becoming significantly stronger in the 1980s. The EU has witnessed the emergence of a new and increasingly important component in this trend, namely renewable energy sources (RES), over the past 30 years (1990–2019). The UK is expected to phase out all coal-based power plants by 2025. As a result of technological progress, the years 2009–2018 witnessed a marked drop in the unit costs of electricity production in the RES segment. On the other hand, total unit costs of the production of coal and oil-based energy are growing. Likewise, the abandonment of traditional energy sources has been substantiated with important environmental and climate-related reasons as well as the depletion of natural resources, inevitable by the end of this century. In 2018 and 2019, Poland imported around 25% of its demand for coal and around 10% of its demand for electricity. Identified coal deposits are large, but the costs of building new underground mines are so high that the exploitation of such deposits is usually unprofitable. Consequently, even official government forecasts warn of the possibility of a major energy crisis around 2030.

On the global scale, alarming fundamental environmental quality parameters include: rapidly growing greenhouse gas production, a considerable rise in temperatures in vast areas of the globe and the related sea level rise as well as growing instability in the supply of water to plants, animals, and people. The EU has responded to this situation with what is referred to as the European Green Deal. The EU accounts for only around 10% of the world's net production of carbon dioxide, but per capita emissions are still above the world's average. The EU's strategic goal now involves reducing this share to zero by 2050, which means reducing the emissions of carbon dioxide by humans and animals to the level of its absorption by trees and plants. Efforts to implement this goal are helped by what are important and essentially revolutionary technological innovations in the field of renewable energy sources and means of transport propelled by electric motors and hydrogen.

Over the past 20 years, the measures taken by Poland in the RES field have been a lot less intensive than in the EU. Over this period, Poland and the EU have started to move in diverging directions in the field of energy policy. Consequently, the trends that prevail in Poland include a high death rate and the more common occurrence of diseases caused by low and worsening air quality, growing costs of carbon dioxide emissions permits, a growing risk of draughts, floods, and periodical water supply crises as well as the risk of rapidly growing energy prices and, after 2030, the prospect of energy cutoffs on a significant scale. These adverse trends and risks persist despite a strong reduction in the role of coal in the economy in 1990–2000 as a result of the systemic transformation. In 2017, according to EC data (2018), the carbon dioxide emissions per capita in Poland (8.48 metric tons) were nonetheless higher than the EU average (6.97 metric tons) and much higher than the world's average (4.91 metric tons). Achieving the goal set forth by the EU for 2050 will require major and swift changes in the country's economic policy: opting out of creating new brown coal opencast mines and coal-fired power plants, shutting down existing coal mines and gradually phasing out most coal-fired power plants, in addition to the construction of a distributed network of water reservoirs by local governments, the modernisation of power grids by the state (in order to reduce what constitutes currently considerable losses), and the complete elimination of heating with the use of old polluting coal-fired stoves, which still number several millions. As a part of a new strategic policy, Poland also needs to leave the production of electricity mainly to the private sector.

The actual energy mix in 2019 for the production of electrical energy was 75% coal, 11% renewables, 8% natural gas, 6% other. The energy mix just proposed by the current government for 2040 calls, approximately, for 30% coal, 15% nuclear power, 40% renewables, and 15% natural gas. Given the costs of energy production and the climate objectives, a reasonably good mix for this year would envision 50% renewables, 30% coal, 10% nuclear power and 10% natural gas, while a good mix for 2050 would be 70% renewables, 20% nuclear power and 10% natural gas.

10.2. Climatic changes and long-term economic and geopolitical trends induce integration within the EU

The ECB is now the key central economic institution for all members of the UE in the area of monetary policy. Fiscal policies continue to be decided almost completely by national governments. However, this may gradually change in the course of this century, partly under the impact of climatic changes, which are already significant and accelerating. These changes may prove to be within the next few decades large enough to require, even force, a closer cooperation of the Member States of the EU in order to meet the costs of possibly large defensive investments. There will likely be a need to have EU budgets much larger in relation to the EU's GDP than the present 1% proportion. The European Parliament has already proposed a substantial increase of that proportion. The new initiative of the EU, the Reconstruction Fund of 750bn euros for the years 2021–2023, has been accepted by the key donor countries. It may well be only a first step in a process establishing for the EU institutions a larger, though not dominant, role also in the area of fiscal policy.

10.3. The impact of global developments on the EU

The current policies of Member States of the EU are ikely to be also under the impact of rapid changes in the distribution of global economic activity. Climate changes will gradually make the large empty space of Siberia attractive to peoples of China and Central Asia. The population of China alone is about 10 times higher than that of the Russian Federation (RF). In Europe, Ukraine and Belarus may at some point be closely associated economically with the EU, may even become its new member states. In the circumstances it would be natural for the RF to be also closely associated economically and politically with the EU. A more democratic and economically friendly RF would be then no longer seen as a threat, and in fact no longer be one, to the EU countries. Diffusion of businesses between the UE, the USA and the UK is likely to be increasing, continue to be stronger than between Europe (or the USA) and China or India. These are new global tendencies under the impact of which the integration of the EU is likely to continue.

11. Concluding remarks

The remarkably large difference in economic performance between Poland and Greece in the period 2000–2019 demonstrates the power of economic policies and institutions of the countries concerned. In particular, it gives a strong support for the presence of a constitutional limit on the public debt-to-GDP ratio. The impact of global markets and the economic policies of key global players, i.e. the United States and the European Union, has been shown in this comparison to be substantial but much less important.

Greece and Poland are now, and likely to remain in the years to come, at the same level of development, significantly lower than that of the technologically most advanced and economically richest countries. Certain advantages of underdevelopment should therefore operate in both countries, as well as in other countries of similar level of development. Whether they are in fact effective, will continue to depend on the quality of economic policies and institutions. In case of Poland the important risks discussed in this paper may limit the rate of economic growth and harm its stability. In particular, keeping the public debt-to-GDP ratio below 60% may be impossible in the near future.

The main and perhaps politically realistic goal should be to keep the structural budget deficit below 3% of the GDP and the costs of servicing public debt below a predetermined rational level, say 2–3% of the GDP, or generally a level that keeps the risk of default near zero. However, given the large risks, this would probably be a second-best objective. The best fiscal policy for the general government would continue to be a near balanced structural budget, with the average public debt-to-GDP ratio around or below 40%.

From the perspective of all the countries of the EU, the globalisation tendency, continuing integration of markets and businesses, increasing rapidly human links, and possibly large climatic changes are forcing a constant redefinition of the common EU interests in the long term, and a constant adaptation of short-term national interests and policies to those common. While the EU is likely to continue for some, probably quite a long time, to remain a union of largely independent states, the impact of these common interests is likely to be increasing.

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The comparative analysis of Poland and Greece: Short-Term Policy Errors Versus Longer-Term Rationality

Abstract

This article has three objectives. The first one is to compare and interpret the economic growth that was seen over the period of 2000–2018 (partly in reaction to the world financial crisis of 2008–2009) by two exceptional EU Member States: Greece, which saw the greatest decline in GDP, and Poland, which suffered the smallest costs of the crisis. The second objective is to analyse the risks to the pace and stability of Poland's economic growth and the state of public finances following 2018. It is argued that Poland, despite these risks, is not likely to become a second Greece. The third objective is to note that the presence of strong persistent factors, such as globalisation and climate changes, tends to foster longer-term rationality in economic policies of the EU institutions, and that this may have an important positive impact on national policies and economic performance of the member countries of the EU, including Poland.

Key words: Poland 2000–2020, Greece 2000–2020, institutional factors in development, macroeconomic stability risks

Analiza porównawcza Polski i Grecji: Błędy polityki krótkoterminowej w porównaniu z racjonalnością długoterminową

Streszczenie

Artykuł ten ma trzy cele. Pierwszym z nich jest porównanie i interpretacja wzrostu gospodarczego obserwowanego w latach 2000–2018 (częściowo w odpowiedzi na światowy kryzys finansowy w latach 2008–2009) przez dwa wyjątkowe Państwa Członkowskie UE: Grecję, która odnotowała największy spadek PKB, oraz Polskę, która poniosła najmniejsze koszty kryzysu. Drugim celem jest analiza zagrożeń dla tempa i stabilności wzrostu gospodarczego Polski oraz stanu finansów publicznych po 2018 r. Argumentuje się, że mimo tego ryzyka, Polska prawdopodobnie nie stanie się drugą Grecją. Trzecim celem jest zauważenie, że obecność silnych trwałych czynników, takich jak globalizacja i zmiany klimatu, sprzyja długoterminowej racjonalizacji polityki gospodarczej instytucji UE oraz że może to mieć istotny pozytywny wpływ na politykę krajową i wyniki gospodarcze Państw Członkowskich UE, w tym Polski.

Słowa kluczowe: Polska 2000–2020, Grecja 2000–2020, czynniki instytucjonalne w rozwoju, ryzyko stabilności makroekonomicznej

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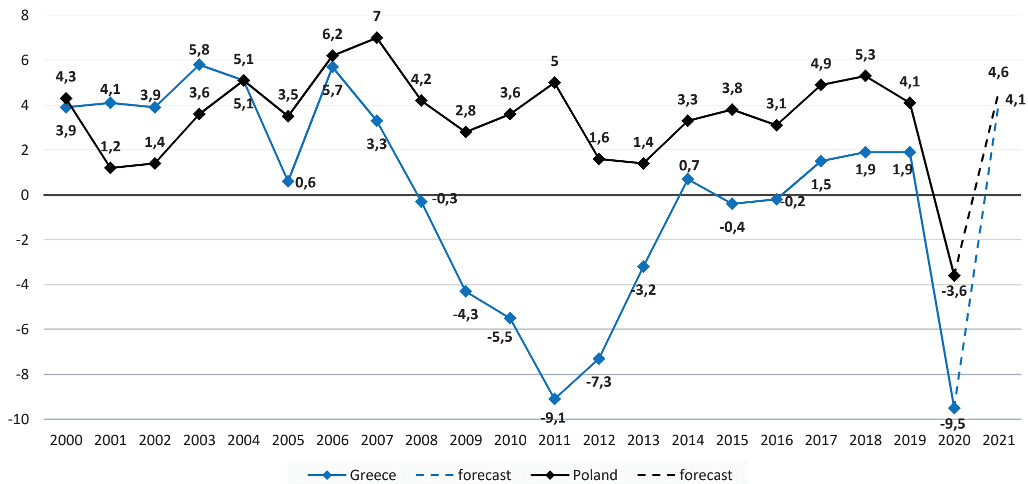
STATISTICAL APPENDIX

Figure 1

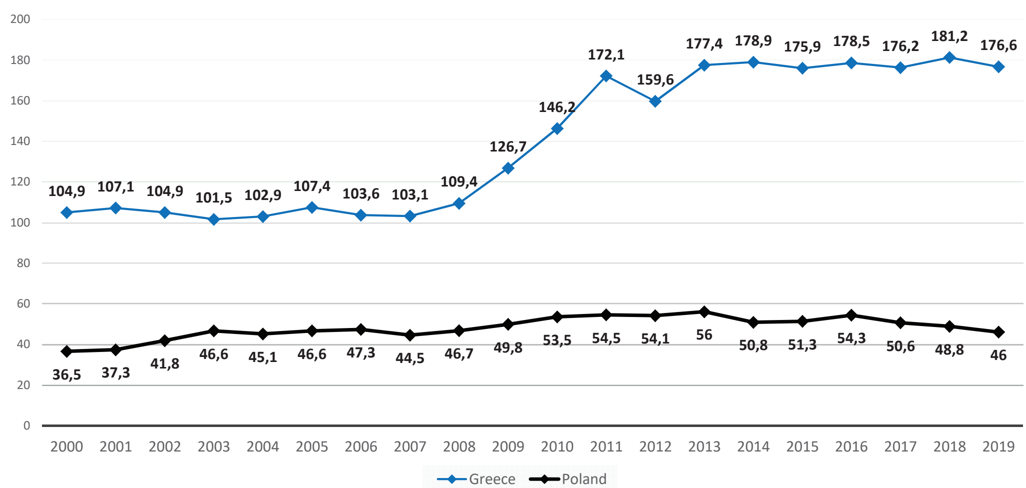
Annual percentage growth in real Gross Domestic Product (GDP) for Greece and Poland, 2000–2020 plus a forecast for 2021



Source: IMF, DataMapper https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

Figure 2

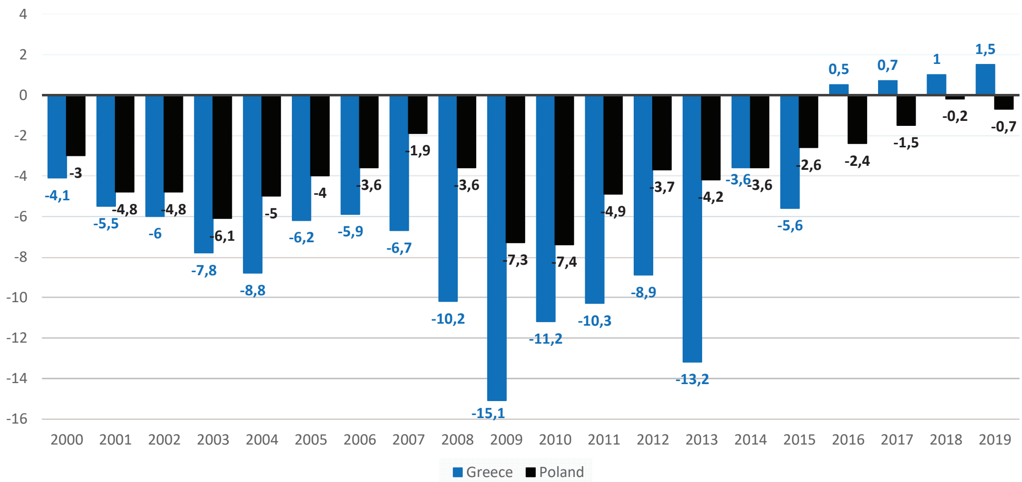
Public debt as a percentage of the GDP for Greece and Poland, 2000–2019



Source: Eurostat https://ec.europa.eu/eurostat

Figure 3

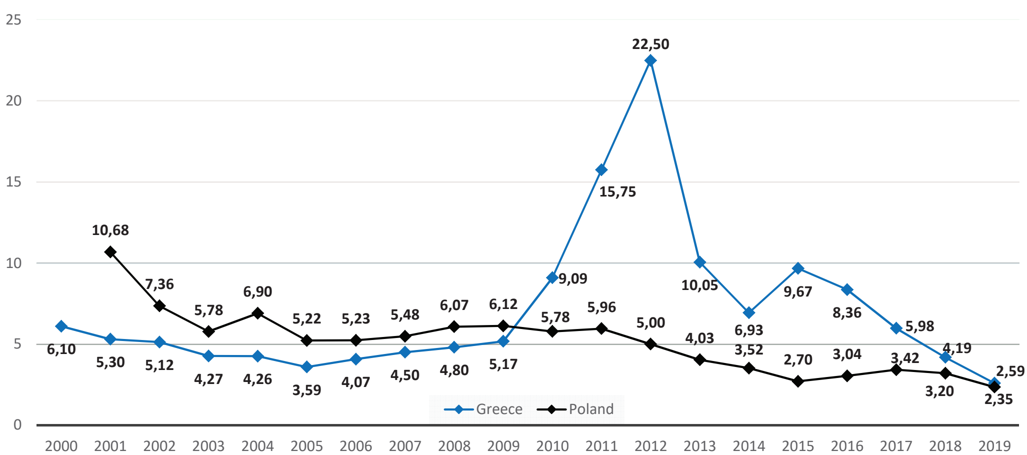
Deficit/surplus of the general government budget as a percentage of the GDP for Greece and Poland, 2000–2019



Source: Eurostat https://ec.europa.eu/eurostat [21.10.2020]

Figure 4

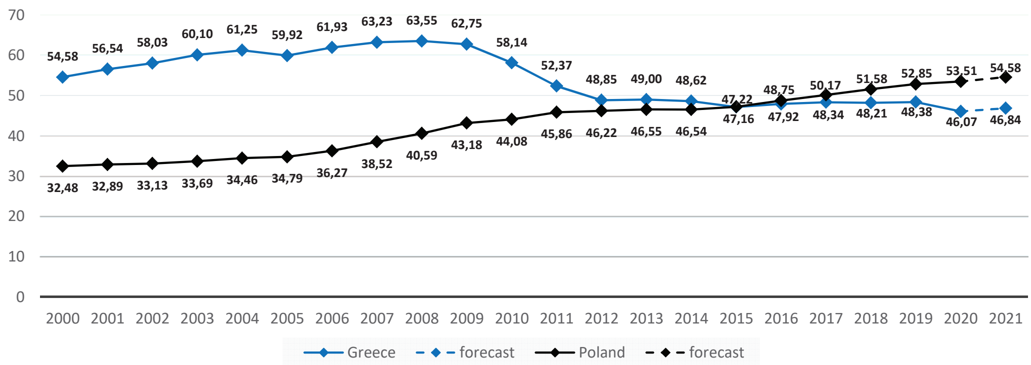
Annual average 10-Year Bond Yields for Greece and Poland, 2000–2019



EBC, https://sdw.ecb.europa.eu/

Figure 5

Per capita (PPP) GDP for Greece and Poland for 2000–2019, forecasts for 2020 and 2021, as percentages of the US level



Source: IMF, https://www.imf.org/external/datamapper/PPPPC@WEO/GRC/POL/USA