

Marcin Piatkowski. *Europe's Growth Champion: Insights from the Economic Rise of Poland.* Oxford: Oxford University Press, 2018. Illustrations. 400 pp. \$105.00, cloth, ISBN 978-0-19-878934-5.

Reviewed by Adam Biliński (Independent Scholar)

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Commissioned by Anna Muller (University of Michigan - Dearborn)

The book by Marcin Piatkowski is a good analysis of the economic transformation of Poland after the end of Communism in 1989. In addition, the author provides overviews of the causes of Poland's historical underdevelopment. The narrative is embedded in a theoretical framework explaining the causes of economic growth in general. The narrative consists of a literature review of the topic but also includes the author's own thoughts. The book can be recommended to those interested in the causes of Poland's successful development after 1989 and those interested in the overall causes of growth as some of the solutions applied in Poland can serve as inspiration to other countries. Among other advantages, the work is written in an accessible style; the author avoids jargon and explains complex economic terms. He also adds personal stories and anecdotes, which is appreciated, although some readers might consider occasional jokes and parables in bad taste.

In chapter 1, Piatkowski outlines a general theory of economic growth that forms the book's theoretical foundation. He divides societies into two broad types: extractive and inclusive. In an extractive society, elites exploit the population to their own benefit. In most cases, they are uninterested in faster growth because it would require in-

stitutional reforms undermining their position and income, at least in the short term. Inclusive societies, on the other hand, have institutions working for the benefit of the entire society. Successful development, and even more so achievement of high-income status, can take place, according to Piatkowski, only under an inclusive society. Yet the movement from the extractive to the inclusive equilibrium is hard to accomplish and usually requires an external shock (such as a foreign invasion or its threat) and deep cultural change.

Next, Piatkowski briefly describes Poland's economic history. He argues that even during the so-called golden age in the sixteenth and seventeenth centuries, Poland was poorer than western Europe. An extractive equilibrium developed in Poland under which the nobility (*szlachta*) lived prosperously to the detriment and exploitation of other estates, especially peasants. In fact, the nobility neglected the state institutions so much that in the eighteenth century Poland became a failed state that was subsequently conquered by its neighbors. Under foreign rule, Poland could not determine its economic fate. Yet, during the short period of independence (1918-39), the state was

again, according to Piatkowski, captured by the old elites, which prevented development.

For the author, the experience of Communism (1945-89) was a key moment in the country's economic history. Although Communism brought heavy repressions and did not result in fast growth in Poland, it also destroyed the country's old feudal elites, equalized society, and created opportunities for the lower classes. Hence, when Communism collapsed and the country democratized in 1989-91, Poland could relatively easily transition into the "inclusive equilibrium" because no entrenched social class was blocking such a move.

Subsequently, Piatkowski describes Poland's economic progress after 1989 and its causes. Between 1995 and 2015, Poland achieved an average economic growth of 4.2 percent, the fastest growth in Europe, with the exception of the Baltic states, and faster than in medium-income Asian countries, such as South Korea and Malaysia (p. 130). At the same time, this growth was inclusive in the sense that it improved the situation of all social groups, including the poorest. In addition to increasing income, Poland's growth contributed to improvements of other social indicators, such as life expectancy, life satisfaction, and happiness.

The reasons for this success are complex and include, according to the author, "institutions, culture, ideologies, individuals, geography, and luck" (p. 6). Poland was blessed with talented and honest finance ministers who introduced policies leading to fast growth. The shock therapy implemented in 1989-90 by Leszek Balcerowicz rapidly moved the country from a socialist command economy to a market economy. Shock therapy was painful in the short term but brought fast growth in the long term. Subsequently, Poland experienced numerous government changes but financial policies changed little due to an elite consensus on major goals.

Poland also benefited from delayed and gradual privatization, which allowed for the re-

structuring of state companies and enabled the country to avoid mistakes made during privatization in other post-Communist states. More precisely, Poland preferred to sell its public companies to Western investors who brought the know-how necessary to run them efficiently. This turned out to be a more efficient approach than voucher privatization programs adopted in Russia and the Czech Republic, where company shares were distributed for free among the public.

Culturally, Poland has benefited from a social consensus emphasizing the "return to Europe." Communism was treated as a historic aberration and a foreign (Russian) imposition. Hence, a large majority of society wanted the country to join the European Union (EU) and the North Atlantic Treaty Organization (NATO), institutions in which, according to this narrative, Poland should and had a right to participate. In this regard, Polish society was willing to make the necessary sacrifices to join the EU and thus achieve the symbolic status of a "normal" European country. These sacrifices included the adoption and implementation of Western institutions and practices (strengthening of the rule of law; implementation of modern banking, financial, and educational systems; reduction of corruption; etc.). The process turned out successful and contributed to a positive feedback loop leading to even faster growth.

Other factors also mattered, obviously. Those included geography (proximity to the largest western European economy, Germany); western European consensus that eastern European countries should be admitted to the EU and given necessary aid; and sheer luck, as Poland benefited from talented politicians and favorable historical circumstances. In the end, Piatkowski argues, some mistakes were made, but after the end of Communism, Poland achieved almost the fastest growth possible, given the circumstances.

Europe's Growth Champion concludes with some predictions for the future. The author argues that although Poland already achieved high-in-

come status, it needs to enact several reforms to maintain the fast pace of growth and reach the income level of western Europe before 2040. The reforms include the strengthening of institutions, a higher savings rate, openness to “culturally similar” immigration (which the author does not define) to make up for the demographic decline, and “focus on well-being and quality of life beyond GDP” (p. 310). As of 2020, it appears also that future growth may be threatened due to increasing conflicts between Poland and the EU over declining standards of democracy in the country. A possible “Polexit” would hamper the country’s economic progress in multiple ways.

Piatkowski’s book is not without weaknesses, however. Even though the book’s main topic is Poland, much of it is devoted to unrelated issues. The author spends much time discussing the general literature on the causes of economic growth. He also engages in many digressions, for example, by discussing growing income inequality in the US, comparing patterns of growth in the US and France, and predicting the future of the world in general. Piatkowski also devotes a lot of space to the economic history of Poland before World War II. Although some theoretical and historical background is necessary, the book would have benefited from shorter coverage of these topics and more thorough discussion of Poland’s economic transformation after 1989.

Such a detailed and more nuanced analysis of recent events would have allowed Piatkowski to address some darker sides of Poland’s transition to capitalism, as his analysis seems overly positive in this regard. For example, contrary to what he argues, top Polish businesspeople were not necessarily self-made; many had begun their business careers already in the 1980s due to their connections to the Communist secret services. Piatkowski also claims that not too many people from the *nomenklatura* made business careers in the 1990s but does not assess the extent to which the Polish economy was dominated by such people. The bitter-

ness associated with the economic aspects of the transition—the fact that people associated with the regime were not punished but were allowed to take over much of the state property, as well as pervasive corruption during the privatization process—was one of the causes of the popularity of right-wing populist parties in Poland.

Otherwise, the book includes several arguments that I do not find convincing. The first pertains to the author’s analysis of Poland’s historical underdevelopment. Was Poland underdeveloped before World War II primarily due to the extractive social equilibrium or did other factors play a bigger role? Fast economic growth in Europe started only with the advent of the Industrial Revolution, spreading from its geographic center in England. Countries on the European periphery were slower to industrialize regardless of social structure or political system. Some peripheral countries, like Ireland and the Baltic states, reduced or eliminated landholding classes through land reforms after World War I. It did not lead to rapid growth. Unequal countries with entrenched elites, such as Poland and Hungary, developed before World War II as slowly as more equal peasant-dominated societies lacking such elites, such as Greece and Serbia. In addition, the author’s discussion of feudalism in Poland is simplistic and does not go much beyond the Marxist historiography, whose conclusions have been challenged by newer research.

Otherwise, Piatkowski argues numerous times how the experience of Communism was necessary to move Poland out of the “extractive equilibrium” because it reduced inequality and forcibly eliminated the old elites that for centuries had blocked the country’s progress. To counter this argument, one can point to the experience of southern Europe (Spain, Portugal, Italy, or Greece), which was in the extractive equilibrium before World War II and had a similar level of development as Poland. This region after the war did not experience Communism with its elimination of the old

elites but nevertheless achieved rapid growth, moving to a more inclusive equilibrium.

Piatkowski acknowledges and refutes this counterargument. According to the author, a hypothetical non-Communist Poland would not be pressured after World War II to modernize the same way Spain, Portugal, or Italy were pressured to do so by their foreign allies. This seems rather unconvincing. A non-Communist Poland, bordering the USSR, would be under strong pressure to modernize to maintain effective economy and thus to discourage possible Soviet aggression. A similar process was visible in Austria and Finland. In the end, it is hard to believe, as Piatkowski seems to argue, that the level of development in Poland as of 2021 would be lower without the experience of Communism.

At the theoretical level, Piatkowski keeps emphasizing that increasing GDP is valuable also because it is associated with growing happiness and life satisfaction. However, the problem with these correlations is that they are based on subjective measurements of life satisfaction and happiness reported in surveys. On the other hand, the incidence of depression and anxiety is likely higher in developed countries than in medium-income countries. Hence, if more objective measures of mental well-being are used, it is uncertain whether economic growth indeed leads to greater happiness.

Still, despite its shortcomings, *Europe's Growth Champion* is a well-written, accessible book that offers a good description of Poland's economic progress in the last thirty years, which is embedded in literature on the general causes of economic development.

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