

The Economic  
Costs  
of Populism:  
Poland Should  
Learn  
from Greece's  
Mistakes



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MAREK  
TATAŁA

Populism is a costly thing in politics. Takis S. Pappas (2010) once wrote: “ask any early PASOK nostalgic in Greece today about that party’s greatest achievement and the answer you will most likely get is that it offered ordinary Greeks better lives”<sup>1</sup>. Pappas wrote about Andreas Papandreou’s first government which back in 1981 won the elections in Greece. This was the initial step towards the Greek crisis in the late 2000s.

**P**opulists often talk about improving the lives of *ordinary people*. However, the primary goal of populist politicians is to capture (or rather to “buy”) political support, win elections or keep political power. Therefore, they do not use tools necessary to bring long-term prosperity to the people but rather take advantage of whatever can guarantee them short-term political gains. This usually involves showing their active involvement in economic management and can be done through redistribution, welfare state expansions, or politicized control over key institutions and businesses (e.g. through state ownership). There are also other non-economic forms of populism and some of them are mentioned in other articles in this volume. Therefore, the primary focus of this article is on economic populism i.e. this type of economic program which sacrifices medium and long-term economic growth and stability of the economy for the sake of short-term political gains. This is thus how economic populism shall be understood in this context.

Post-election economic populism by the new Law and Justice government has had a negative impact on the stability and growth of the Polish economy. Moreover, it is also further damaging the quality of Polish politics. The Polish case can be compared with Greece where almost forty years of populist policies led to a substantial and long-lasting recession. Populist bidding not only devastated the Greek economy and led to a fall of income of the Greek people but it also damaged the politics. The current developments show how hard it is to escape the populist trap. Therefore, Greek experiences should constitute a lesson for Poland and other European countries.

### **POPULISM DAMAGES POLISH POLITICS AND ECONOMICS**

The elections held in late 2015 brought substantial changes to the structure of the Polish parliament. After eight years in power, the Civic Platform (PO) lost to the main opposition party Law and Justice (PiS), led by Jarosław Kaczyński. Earlier in 2015, Bronisław Komorowski, incumbent president supported by PO, lost the elections to Andrzej Duda nominated by J. Kaczyński and PiS. For the first time since Poland’s 1989 transition to democracy, one party

<sup>1</sup> Pappas, T. S. (2010) “*The causes of the Greek crisis are in Greek politics*”, openDemocracy, Available [online]: <http://www.opendemocracy.net/openeconomy/takiss-pappas/causes-of-greek-crisis-are-in-greek-politics>



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won an absolute majority and formed the government without the need for a coalition partner.

Poland has achieved great success since the fall of the communist regime and transformation. For more than two decades the average economic growth reached 4% a year, faster than other countries of Central and Eastern Europe. Per capita income increased from 29% of its German equivalent in 1992 to 55% in 2014<sup>2</sup>. Nevertheless, despite relatively good economic performance, the PO-led coalition lost the elections. One of the major reasons was growing populism among the key political parties including the winning Law and

Justice<sup>3</sup> party. This populism has damaged Polish politics and economy and poses a threat to the pace and stability of growth in Poland. Of course, populism was present in Poland before 2015. Nevertheless, what we are now observing is another peak in populist rhetoric, promises and slogans which may push Poland into what we can call the "populist trap".

The pre-election campaign was full of costly promises. As you can see in Fig. 1, the majority of these promises (after taking new promised public revenues into consideration) would have substantially increased the public debt if fulfilled. Moreover, the majority of politicians promised higher salaries administered by the government (for example through a higher minimum wage) and not based on productivity growth<sup>4</sup>. [See Figure 1.]

The United Left (European affiliation: Party of European Socialists, PES) outbid all the rest but did not make it to the parliament due to the minimum vote threshold (as a coalition of several parties they required 8% but received only 7.55% of votes). Another left-wing party called Razem (*Together Party*), the promises of which were also extremely costly but harder to estimate, received 3.55% (which was below 5% threshold) so in total the traditional left-wing populism received over 11% of votes. PiS (European affiliation: Alliance of European Conservatives and Reformists, AECR) won the elections with the highest

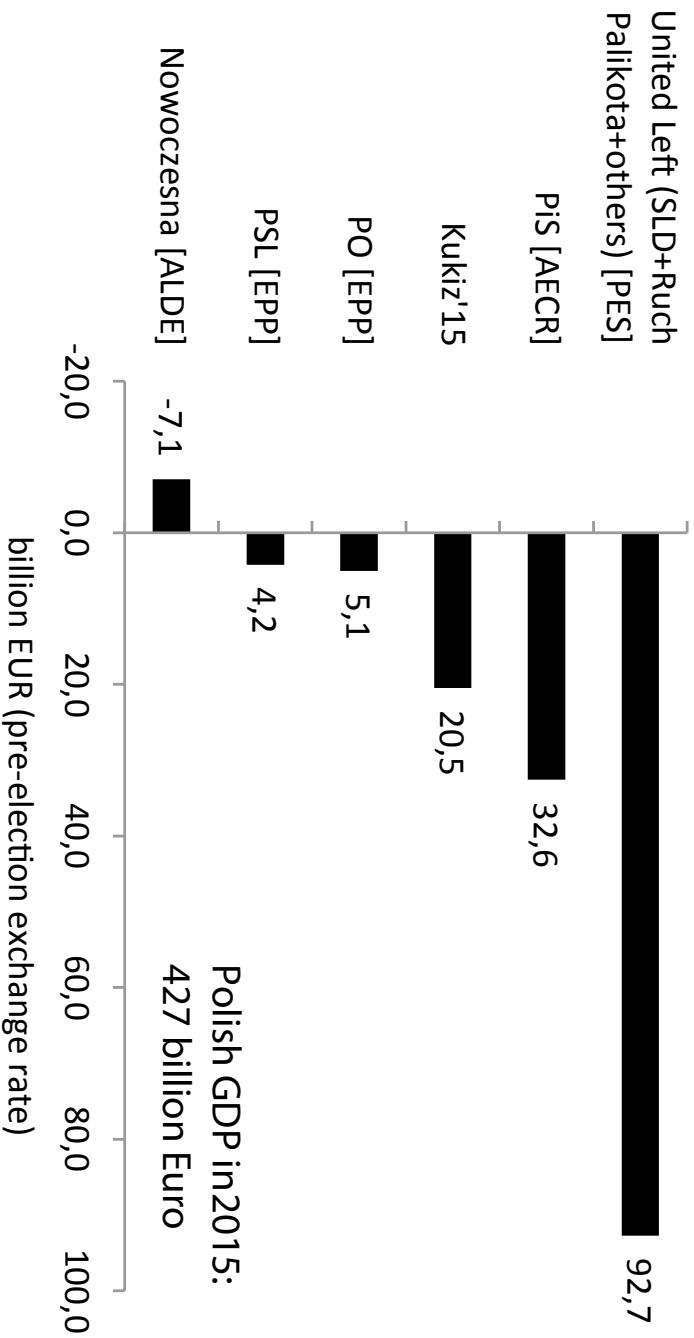
<sup>3</sup> For more information on election results see Tatała, M. (2015) *Poland after the elections: the risk of growing state intervention*, Epicenter Blog, Available [online]: <http://www.epicenternetwork.eu/blog/poland-after-the-elections-the-risk-of-growing-state-intervention/>

<sup>4</sup> FOR (2015b) *Czy realizacja obietnic wyborczych pomoże Polsce dogonić Zachód?*, Civil Development Forum.

<sup>2</sup> FOR (2015) *Następne 25 lat. Jakie reformy musimy przeprowadzić, by dogonić Zachód?*, Civil Development Forum.

<sup>5</sup> Exchange rate from 23.10.2015 i.e. the last day before the election weekend. I use the exchange rate from 22.02.2016 in the rest of the article.

Figure 1: Potential cost of pre-election promises in Poland by major political parties for the years 2016-19 [EU affiliation of the parties in brackets]<sup>5</sup>





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cost of pre-election promises among the parties which made it to the parliament, while Kukiz'15 (no European affiliation but regarded as a right-wing party) came in second in the scale of promises. Both PO and PSL (*Polish Peasants' Party*) (European affiliation: European People's Party, EPP) were more moderate in pre-election populism, although PSL's program was very general and unclear. Finally, Nowoczesna (*Modern*; affiliated to ALDE) received 7.6% with the program which, in fact, promised the moderate lowering of the public debt in 2016-2019. We can draw three conclusions from the scale of the pre-election promises and election results.

**1. Economic populism is not only a left-wing or right-wing phenomenon but it appears on both sides of the political**

**spectrum.** In fact, these historical labels are confusing when talking about contemporary politics in a majority of the countries. For example, Law and Justice is commonly referred to as the right-wing party due to their nationalistic rhetoric and attachment to selected traditional, church-supported, values. But they won elections with an extremely left-wing (socialist) economic program. A similar combination of views is noticeable when we look at Marine Le Pen's Front National, which fights against immigration, defends "traditional values" but is also in favor of the welfare state expansion. Moreover, even classical liberal promises, like lowering taxation (presented for example by some members of Kukiz'15), can be populist if they are not accompanied by a parallel lowering of specific public expenditures.

**2. Populist programs do not guarantee electoral victory.** As we can see, the United Left (which outbid all the others), together with the populist Razem party, attracted 11% of voters. Of course, electoral decisions are not only based on economic promises but this result shows that there are some limits to populism and you cannot promise everything to achieve electoral victory. PiS' success indicates that the electorate is prone to populist ideas but it seems that after reaching some level of populism politicians may lose their reliability and discourage some voters.

**3. Populist economic programs are not necessary to win elections.** In 2007, PO won the elections proposing lower and simpler taxes, reduced public expenditures, significant deregulation, more privatization and reforms to strengthen economic freedom. Some electoral promises were only partially fulfilled, while others were completely abandoned. Instead, new interventionist measures were implemented. Prime Minister Donald Tusk, whose



views were once close to classical liberalism, admitted that he had become a social democrat. But, in fact, he and his party became *economically populist* i.e. sacrificed long-term economic growth and stability of the economy for the sake of short-term political gains. Instead of reforming the country to respond to the most significant economic challenges, they chose to compete in populism with the opposition, including PiS. Moreover, it is also not true that reforms must lead to electoral failures. For example, when we look at fiscal adjustments in OECD countries, A. Alesina and his colleagues<sup>6</sup> showed that there is no evidence that governments which quickly reduce budget deficits systematically lose elections.

Knowing that Law and Justice won elections in Poland in 2015 with a very populist program, it is now necessary to discuss key elements of the party's program and its potential economic costs. What is also interesting are reactions of selected political parties to these populist ideas to show which groups are playing the game of populism with Kaczyński's PiS.

**1. "PLN 500 plus" to cause welfare state expansion without sufficient public funding.** One of the key electoral promises by PiS was to give PLN 500 (i.e. around EUR 115) per month for every second, third, fourth and subsequent child in a family (and for the first children in poorer households; in fact, at times during the campaign it was presented as PLN 500 for *every child*, which was an obvious manipulation). This electoral promise was fulfilled and the program will be launched in April 2016. As of 2017, it will cost around EUR 5 billion every year. This year the program will be fund-

ed by some one-off revenues but there is no guaranteed funding for 2017 and the following years – apart from some general promises to increase tax revenues. Of course, giving money directly to people is an easy short-term way to buy voters' support and it can explain why some of them decided to vote for PiS.

However, there are two major problems with this program and it is why "PLN 500 plus" is an example of economic populism. Firstly, the evidence from other countries shows that such a program may lead to a rather small increase in low birth rate at an extremely high cost – there are many other ways to increase fertility which are more cost-effective<sup>7</sup>. So it was manipulation that the program is the best way to remedy the "demographic catastrophe".

Secondly, the program will be a huge burden on the public finance. According to the European Commission, public deficit in Poland will exceed 3% of GDP in 2017. Moreover, Poland is one of the three countries which plan to increase its deficit in 2016 and we have to keep in mind that we live in an unstable macroeconomic environment (e.g. China, other developing countries, Russia, Greece, risk of Brexit, future Fed's policy, US election results and so on). Yet, instead of reforming public finance and strengthening the economy PiS' government increases Poland's vulnerability to external and domestic shocks. Thus economic populism may easily evolve into an economic crisis very costly to ordinary people.

It is also important to emphasize that the Civic Platform, which is the largest opposition party in the parliament, criticized this program during the elections, but recently

<sup>6</sup> Alesina, A., D. Carloni, G. Lecce (2011) The Electoral Consequences of Large Fiscal Adjustments, NBER Working Paper No. 17655.

<sup>7</sup> Trzeciakowski, R. and O. Zajkowska (2015) *Program "Rodzina 500+"* – niewielkie korzyści, wysokie koszty, Civil Development Forum.



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changed their mind and announced that it is unjust not to give money for first children in all families. In other words, they wanted to outbid PiS in the scale of populism. This is a dangerous tendency and resembles the bidding between PASOK and the New Democracy – destructive political competition that led to the Greek economic crisis. Only three members of PO were against this legislation in the parliament, together with one-fourth of the members of Kukiz'15 and all members of Nowoczesna party.

**2. Lower retirement age in the time of demographic problems.** One of the most important and necessary reforms of the PO-PSL (in the years 2007-2015) coalition was to increase the minimum retirement age to 67 in order to improve stability of the pension system. It was fiercely attacked by irresponsible opposition par-

ties, in cooperation with trade unions – as a result, the government incurred some political costs. In their populist program, PiS promised to reverse this reform and return to the previous retirement age levels (65 for men and 60 for women). Even after the PO-PSL reform, the number of people in working age in Poland will fall by around 2.4 million by 2040. Reform reversal by PiS will increase this number to 4.5 million<sup>8</sup>.

Therefore, lowering the retirement age is yet another example of a very irresponsible policy. It will generate some costs during this parliament term, but what is more important, these costs will grow in an accelerating manner in the following years – when more and more people will be retiring and less people will pay taxes and social contributions. Moreover, lowering retirement age to 60 for women means that Poland will have the lowest retirement age for females in all of the European Union. And this will happen at the time when majority of countries have already increased or are now increasing the retirement age, some to an even higher level than 67. The potential cost of this populist pre-election promise will be a burden for current and future generations. Thus, a characteristic feature of populist policies is that they are, in general, short-term in political gains but long-term in economic and political consequences.

Fortunately, major opposition forces like PO and Nowoczesna are against lowering the retirement age. We should only hope that PO will not change their opinion under pressure of PiS' populism as they did with

<sup>8</sup> FOR (2015) *Następne 25 lat. Jakie reformy musimy przeprowadzić, by dogonić Zachód?*, Civil Development Forum.





## ANY POPULIST ATTACK ON BANKS IS AN ATTACK ON INVESTMENT RATE AND GROWTH

the “PLN 500 plus” program and we will not observe destructive political competition in this area.

**3. Extracting money from the banking sector.** One way of financing costly pre-election policies is the new tax on banks announced during the electoral campaign. Banks and the financial sector in general are an easy and obvious choice of an enemy for populist politicians. Since banks work mostly with other people’s money, politicians can play on negative emotions associated with them. Attacks on banks slightly resemble communist propaganda from the early 20th century when bankers were often portrayed as pigs in expensive suits, sitting on banknotes, smoking expensive cigars. Contemporary negative images of people from the banking or financial sector are fed by movies like *The Wolf of Wall Street* where the main character is surrounded by money, drugs, alcohol, luxurious cars and beautiful women – all at the expense of the “ordinary people”. What does not help banks in Poland is that majority of them are both, *private* and *foreign* (which so far was not a threat to the stability of the banking sector, even during the financial crisis of 2008). Populists can therefore play on

anti-capitalistic and nationalistic emotions. Banks are an easy political target and this fact was utilized by PiS before and after the elections.

PiS introduced the new tax on the banking sector in the end of 2015. It is a tax on banks assets’ (0.44% per year, with some exemptions) so mostly on loans given by banks. The rate of tax is the highest in all of the European Union among the countries which introduced similar sectoral taxation.

Moreover, the Polish government has not bailed out banks and there has been no problem with the excessive size of the banking sector (these two reasons were frequently used when banking taxes were introduced in other countries). So the only reason why it was introduced is to collect money for additional public expenditures like the “PLN 500 plus” program<sup>9</sup> i.e. to finance economic populism. The tax is an additional burden for the banking sector which already pays other taxes, has to fulfil some costly sectoral regulations and also paid for bankruptcies of some smaller credit unions (SKOK) and cooperative bank (SK Bank) through the Bank Guarantee Fund, i.e. guarantees for deposits up to EUR 100,000. At the same time, we have to remember that banks play an important role in converting savings into credit for investment which is an important contribution to economic growth. Therefore, any populist attack on banks is an attack on investment rate and growth. Certain banks have already increased some of their fees, which also shows that the new tax will be imposed, in fact, on banks’ clients. Yet again, ordinary people will pay for the populist agenda.

<sup>9</sup> Łaszek, A. and R. Trzeciakowski (2016) *Podatek bankowy – rząd szuka finansowania obietnic wyborczych*, Civil Development Forum.

At the same time, PiS wants to solve the problem of loans denominated in Swiss francs. More than half a million of such loans were taken and the issue appeared after a strong appreciation of the CHF against the Euro as well as the Polish zloty<sup>10</sup>. The most recent proposal of President Andrzej Duda (PiS) means that banks should cover a majority of the currency conversion – which may cost around EUR 8.7–10 billion and will push three-fourth of the banking sector into losses. This populist policy may therefore endanger the stability of the banking sector in Poland and lead to a costly banking crisis.

The idea of taxing the banking sector was supported not only by PiS, but also by agrarian PSL and a majority of Kukiz'15 (only three out of forty members were against it) – two groups that played with PiS in their game of populism attacking banks. PO and almost all members of Nowoczesna voted against it. It still remains to be seen how political parties will behave in the area of foreign currency loans.

**4. From tax on “large foreign supermarkets” to sales tax.** Another proposed source of funding the economic populism (along with the “PLN 500 plus” program or lower retirement age) was a new tax on supermarkets. In the pre-election campaign, it was presented as a tax on *large, foreign, corporations* doing business in Poland. The key word here was “foreign” as it helped create another potential enemy in the populist rhetoric of PiS. The argument was that foreign companies do not pay taxes.

Tax evasion and tax fraud are, in fact, problems in Poland but they are not limited to foreign entities and supermarkets. And

although there is some tax optimization among supermarkets’ networks it is not true that they pay no taxes. For example, the largest payer of the corporate income tax among private companies (outside the banking sector) in Poland in 2012 and 2013 was the owner of one of the largest supermarket networks (*Biedronka* owned by Portuguese company Jeronimo Martins). Nevertheless, due to some technical reasons a new tax formula evolved into a tax on all companies involved in sales (including smaller Polish shops and e-commerce). The tax will not stimulate competition and instead will hit employees of the shops, delivery companies and business owners<sup>11</sup>. In the end, ordinary people will yet again pay for the economic populism of PiS to finance its pre-election promises.

We still do not know how the opposition parties will vote. In fact, there is some opposition to the tax within the ruling party itself but the problem is that they still have to find a way to finance their promises somehow.

**5. Irresponsible lowering of the income tax threshold.** Lowering the personal income tax threshold will mean that households will pay lower income tax. Although it does sound good from a classical liberal perspective, some tax cuts might be populist if not accompanied by parallel lowering of public expenditures. In fact, PiS already lowered taxation in such a populist way when it was formerly in power (in the years 2005–2007). What is more, PO supported irresponsible tax cuts by the PiS government which were not accompanied by proportional spending cuts. As a consequence, the budget gap increased by

<sup>10</sup> See Tatata, M. (2015) *Polish ‘Swiss Franc Loans’ Problem*, 4liberty.eu, Available [online]: <http://4liberty.eu/polish-swiss-franc-loans-problem/>

<sup>11</sup> Zieliński, M. and A. Łaszek (2016) *Dodatkowy podatek od handlu – szkodliwy i nieuzasadniony*, Civil Development Forum.

2.5% of GDP<sup>12</sup>. It seems that all parliamentary parties are in favor of increasing the income tax threshold but some in a more moderate way than PiS' original promise i.e. to PLN 8,000 (over EUR 1,800).

Summing up, the research conducted by the Civic Development Forum<sup>13</sup> shows that without free-market reforms all factors of economic growth will be weaker in the next 25 years. Firstly, the labor force will decrease due to a low birth rate and aging population. Secondly, the growth of productivity will be slower, as the possibilities of its improvement without new investments are largely exhausted. Thirdly, the investment rate in Poland is the lowest among Central and Eastern European countries and it has to be improved to increase economic growth. The Law and Justice pre-election program and policies of their first 100 days in government did not offer any serious response to these challenges. Instead, economic populism has entered where long-term economic growth and stability of the economy are sacrificed for short-term political gains. Moreover, some opposition parties are playing PiS in their game of populism, which may lead to intensification of the destructive political competition. This, in turn, can truly damage the Polish political system if not prevented in time. And this is precisely the manner in which Poland resembles Greece.

### **GREECE AS AN EXAMPLE OF DESTRUCTIVE ECONOMIC POPULISM**

In 1980, Greece was one of the poorest countries in the West and South Europe, together with Ireland, Portugal and Spain.

However, unlike the three other countries in that group, instead of converging towards the wealthier EU countries, Greece diverged for many years (Fig. 2).

For example, from 1980 to 1997, the annual GDP per capita growth rate in Greece was only 0.56%, which was the slowest rate among the future Eurozone countries<sup>14</sup>. In comparison, Poland is still the sixth poorest EU member with a GDP per capita lower than in Greece. Therefore, if we want to catch up to the West, our policy makers should not repeat the Greek mistakes. [See Figure 2.]

Since the early 1980s, Greece experienced significant fiscal expansion associated with a negative impact on the economic performance (Alogoskoufis, 1995). In 1975-1980, the average fiscal deficit was 2.2% of GDP but it increased to 7.8% in 1980-85, 9.9% in 1986-1989 and 11.7% of GDP in 1990-93. Greece became the second most indebted country in the EU with the growth of the public debt in relation to GDP by over 70 percentage points between 1980 and 1993. The fiscal situation in Poland is relatively safer due to constitutional limits on public debt (60% of GDP) but what if politicians decide to relax this rule in the same way as they (both PO and PiS) relaxed other fiscal rules in the past? It is also important to emphasize that according to the European Commission's forecasts, the average public deficit in 2017 in the EU will amount to 1.7% of GDP and 3.4% of GDP in Poland – which is evidence of fiscal laxity in our country.

Greek fiscal laxity was a consequence of destructive populist competition between major political parties. This destructive

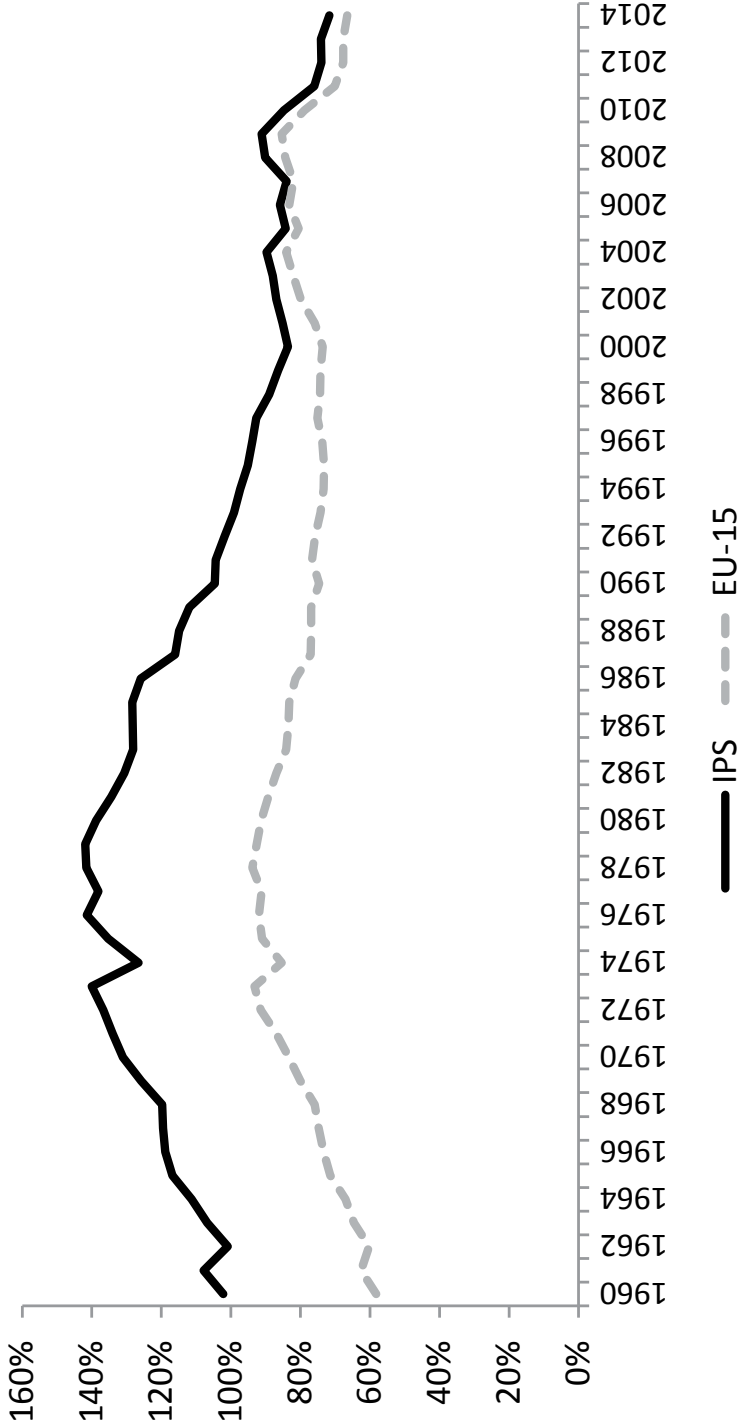
<sup>12</sup> FOR (2015) Destabilization of Polish Public Finance Instead of Reforms, 4liberty.eu, Available [online]: <http://4liberty.eu/destabilization-of-polish-public-finance-instead-of-reforms/>

<sup>13</sup> FOR (2015) *Następne 25 lat. Jakie reformy musimy przeprowadzić, by dogonić Zachód?*, Civil Development Forum.

<sup>14</sup> For more examples of growth slowdown episodes see also Balcerowicz, L, A. Rzońca, L. Kalina and A. Łaszek (2013) *Economic Growth in the European Union*, Lisbon Council e-book.



Figure 2: Greek GDP per capita relative to the EU-15 and IPS (Ireland, Portugal, Spain) averages in 1960-2014, in purchasing power standards (in %). Source: Own calculations based on AMECO



competition was initiated by the New Democracy (ND) in order to satisfy various interest groups and political objectives before the 1981 elections and radically intensified under the PASOK in the 1980s as well as after the ND returned to power in the early 1990s and so on up to the crisis in the late 2000s<sup>15</sup>. At the same time, the scale of the post-election reductions in deficits in the attempts to stabilize the Greek economy was limited.

Analysis of the data from 1960-1997 confirms there was no significant partisan difference in expansionary policies and after 1974, both major parties (the ND and the PASOK) are to be blamed for the fiscal laxity and a "pre-election fiscal euphoria"<sup>16</sup>. It shows that since 1974 the ruling parties exhibited a high degree of short-termism in their approach to policy making, with a success in the forthcoming elections as their primary objective. The destructive populist competition between the two dominant political parties led to development of a new political culture in Greece (as compared for example to the pre-1974 times) in which every elections brought further expansionary and redistributive policies as a method to attract voters. In other words, Greece has fallen into a populist trap and is still unable to escape it (see rhetoric and politics by SYRIZA today).

The evolution of PO's economic program since 2007, the political success of PiS' economic populism and some signs of destructive political competition between PiS and some other opposition parties (e.g.

bidding who offers more regarding "PLN 500 plus" program) show that there is a risk of changing political culture in Poland as well. The policies of PiS are pushing Poland towards the populist trap that damaged the Greek economy and political system.

Moreover, in 1974-1993, the Greek public sector and welfare state expansion as well as related growth of private and public consumption changed the attitude of the society towards the state and increased voters' support for further expansionary and redistributive policies promised for example by PASOK:

*"The expansion of the welfare state in the late 1970s had increased the public's appetite for additional state transfers and for further measures to lower the gap between low- and high-income groups in the society"*<sup>17</sup>

T. Pappas<sup>18</sup> argues that the 1980s were the time of the formation of the "leisure middle class" in Greece as many members of the society were getting used to a standard of living beyond the means of the actual economy's potential. Moreover, T. Fotopoulos<sup>19</sup> writes about the formation of a consumer society with an inadequate production base and growth of "rentier" mentality. A protected core (insiders) was developed in the labor and product markets and as a better organized part of the society became an important political

<sup>15</sup> Tatata, M. (2010) *Institutional and political causes of the Greek crisis: Greece in a comparative perspective (1950-2011)*, Master's thesis under supervision of Leszek Balcerowicz, Warsaw School of Economics.

<sup>16</sup> Lockwood, B., A. Philippopoulos, and E. Tzavalis (2000) "Fiscal policy and politics: theory and evidence from Greece 1960-1997", [In:] *Economic Modelling*, Vol. 18, No. 2, pp. 253-268.

<sup>17</sup> Oltheten, E., George P., and Theodore Sougianis (2003) "Greece in the EU: policy lessons from two decades of membership", [In:] *The Quarterly Review of Economics and Finance*, Vol. 43, Issue 5, pp. 774-806.

<sup>18</sup> Pappas, T. S. (2010) "The causes of the Greek crisis are in Greek politics", openDemocracy, available online at: <http://www.opendemocracy.net/openeconomy/takiss-pappas/causes-of-greek-crisis-are-in-greek-politics>

<sup>19</sup> Fotopoulos, T. (1992) "Economic restructuring and the debt problem: the Greek case", [In:] *International Review of Applied Economics*, Volume 6, Issue 1, pp. 38-64.



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constituency. Therefore, within this new political environment parties began to compete in the distribution of benefits, privileges and the further expansion of the state in the economy. This "war of attrition" or "destructive competition" dominated by the two major political parties in Greece explains why the stabilization programs in the 1980s and early 1990s were short lived and abandoned after any stronger protests of the opposition and the interest groups. Will Poland follow this example? Economic populism by PiS may strengthen the dependence of some voters on the welfare programs and money from the state

budget. Therefore, reversal of some of PiS' populist policies might be very difficult in the future.

The period of fiscal laxity in Greece was accompanied by the expansion of the public sector employment and generous wage increases. At the same time, the labor and product markets were extensively regulated impairing competition and reinforcing the power and interests of the highly protected insiders in the public and private sectors. Overly regulated labor market hampered any growth of employment rate. Regulatory capture by vast rent-seeking interest groups, ranging from public sector employees, through liberal professions, to truck drivers, stifled any growth in productivity<sup>20</sup>. The growing complexity of the tax system (and accompanied endemic tax evasion), together with higher marginal tax rates and the introduction of new taxes caused Greece to move away from the pre-1974 pro-business and pro-investment climate<sup>21</sup>. The low business attractiveness of Greece was reflected in very low FDI inflow. At the same time, Greece was the least free country among the GIPS<sup>22</sup> as reflected by the Economic Freedom of the World Index.

This brief overview of the Greek experiences shows that it is no surprise that many authors refer to the 1980s (but also the following years of persistent divergence in comparison to the wealthier EU countries) as to the "lost" or "populist" decade in this country<sup>23</sup>. The 1980s had further shaped

<sup>20</sup> Mitsopoulos, M. and T. Pelagidis (2009) "Vikings in Greece: Kleptocratic Interest Groups in a Closed, Rent-Seeking Economy", *Cato Journal*, Vol. 29, No. 3, pp. 399-416.

<sup>21</sup> Alogoskoufis, G. (1995) "The two faces of Janus: Institutions, policy regimes and macroeconomic performance in Greece", [In:] *Economic Policy*, Vol. 10, No. 20, pp. 149-192.

<sup>22</sup> Greece, Portugal, Ireland, Spain.

<sup>23</sup> See for example Clogg, R. (ed.) (1993) *Greece: 1981-*

the later economic and political developments in Greece, which ended up in a state of serious economic crisis. Poland should learn from the Greek mistakes. After economic success in the last 25 years, we should not fall into a populist trap and do our utmost to avoid having our very own “lost decade” as it will hamper Poland’s catching up to the West. We simply cannot afford it.

## CONCLUSIONS

Both Greece and Poland face economic populism, i.e. economic policies which sacrifice long-term economic growth and stability of the economy for the sake of short-term political gains. Nevertheless, the pessimistic vision illustrated in this article should not act as discouragement. Quite the opposite, it should be treated as a means of mobilization. It is beyond the scope of this article to discuss what should be done to challenge economic populism. However, three general solutions may be suggested.

First, we need better informed voters which requires permanent education and effective communication to show and explain costs and consequences of populist electoral promises and post-election policies<sup>24</sup>.

Secondly, we have to send early warning signals based on various economic and political indicators. Some people may claim that it is an exaggeration to compare Poland and Greece – despite that, analyzing the warning signals together with learning through others’ mistakes (economic populism, destructive political competition,

falling into a populist trap) is a way not to repeat the damaging Greek experience in Poland.

Thirdly, we have to promote active citizenship so that people (individuals or in organized groups, think tanks or other types of NGOs) exert pressure on politicians – push for reforms enhancing economic growth and stability and preventing economic populism. Such types of activities were very weak in Greece and the populist electoral competition, together with massive redistribution, damaged political culture and built a network of dependence on state programs.

We should not allow for any of this to happen in Poland and we should act now, before it is too late. Catching up to the wealthier countries of the West is the most important goal for Poland economically and the best way to permanently improve the well-being of ordinary citizens. Economic populism will not make anyone’s life better (maybe only of some politicians). What is more, it may be very costly if the crisis scenario comes true. ●



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MAREK  
TATAŁA

Vice President and Economist at the Civil Development Forum (FOR Foundation) in Warsaw, Poland. He received his BSc in economics and politics from the University of Bristol in England and MA in economics from the Warsaw School of Economics in Poland, where he is currently a PhD student. In 2013, he completed the Winter School in Public Policy Research Methods in India and the Think Tank MBA program organized by Atlas Network. He is a graduate of the Atlas Leadership Academy.

89: *The Populist Decade*, Palgrave Macmillan, Basingstoke; and IMF (2002) *The Determinants of Growth: The Experience in the Southern European Economies of Greece and Portugal*, IMF Country Report No. 02/91.

<sup>24</sup> Civil Development Forum published and promoted analysis of the electoral promises before 2015 and 2011 elections.