

# Repolonization and State Patronage: Current Challenges for Poland



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ADAM  
SZŁAPKA

**T**he political earthquake that hit Poland in 2015 with an unprecedented electoral sweep by the Law and Justice party upset contemporary assumptions about Poland. Backed by friendly and financially dependent media<sup>1</sup>, Law and Justice (PiS) says its job is to clean up the mess left in Poland by the liberal, corrupt elites who were out of touch with its Catholic and patriotic values.

Since winning the elections, the new Law and Justice government conducted a broad spectrum of controversial “reforms” carried out during its first months.

1. Since November 2015, the Polish government has undertaken significant legal reforms – concerning in particular the Constitutional Tribunal, which has drawn the attention of several regional bodies and the European Commission. The reforms have seriously undermined the Constitutional Tribunal’s ability to effectively carry out its mandate, and have created legal uncertainty and an environment where human rights are structurally at risk<sup>2</sup>.

2. Apart from infringing upon the independence of the Constitutional Tribunal, the government has embarked on a trajectory of interference with the independence of the judiciary in general<sup>3</sup>.

<sup>1</sup> E.g. nationalist and conservative press (*Gazeta Polska*, *Gazeta Polska Codziennie*, *wSieci*, *Do Rzeczy*, *Nasz Dziennik*), tv stations (TV Republika TV Trwam) or catholic radio (Radio Maryja), as well as public broadcasters (TVP and Polish Radio) are completely subordinated to the government.

<sup>2</sup> <http://4liberty.eu/review-4-the-winner-takes-it-all-kaczynski-orban-and-ponta-versus-constitutional-courts/>

<sup>3</sup> Law on Prosecution of January 28, 2016 (Ustawa z dnia 28 stycznia 2016 r. Prawo o prokuraturze) Journal of Laws 2016 item 177. <https://oko.press/the-end-of-independent-judiciary-in-poland-pis-government-brakes-the-constitution-and-assumes-control-over-all-courts/>

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IN 2015 AND 2016,  
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3. What is more, the government adopted an amendment of the Law on Assemblies that introduces a category of “cyclical demonstrations” organized by the same entity in the same location several times a year. Under this law, assemblies organized by the state or the church would have priority over other assemblies. The proposal raised serious concerns over a possible breach of the freedom of assembly under Article 11 of the European Convention on Human Rights<sup>4</sup>.

4. In 2016, NGOs have become the target of a massive campaign by public media and pro-government journalists in particular.

<sup>4</sup> [http://www.hfhr.pl/wp-content/uploads/2016/11/HFPC\\_opinia\\_29112016.pdf](http://www.hfhr.pl/wp-content/uploads/2016/11/HFPC_opinia_29112016.pdf)

The government has imposed certain limiting administrative decisions ranging from funding cuts to administrative controls on human rights organizations<sup>5</sup>.

5. The media law passed in December 2015 led to a dismissal of a number of directors and supervisory board members of public TV and radio stations. For the first time since the fall of communism, the government in Poland could soon have almost complete control over the public media.

6. Another new law allows Law and Justice to take control of the civil service. More than 1,600 civil service directors, who are apolitical, can be sacked and replaced without the need to hold open competitions.

Polish society did not accept all the changes. In 2015 and 2016, Warsaw and other cities experienced large-scale demonstrations when hundreds of thousands of people protested against the government and its policies. Hundreds of thousands of people took part in the October 3, 2016, women's strike and Black Protest (#CzarnyProtest) against the proposed near-complete ban on abortions.

In recent months, a number of issues have put the government on the defensive. One has harmed its image particularly hard – cronyism and appointments to state-owned companies (SOEs).

## REPOLONIZATION<sup>6</sup> OF POLAND

In finance and development, Law and Justice has also set a controversial goal of boosting state control over the economy.

<sup>5</sup> <http://www.politico.eu/article/poland-democracy-failing-pis-law-and-justice-media-rule-of-law/>

<sup>6</sup> Repolonization means here going back to the "old times" when economy, industry, etc. were in the hands of Polish capital instead of Western capital. It is, however, difficult to say what "old times" PiS has in mind – the communist era of state monopolies or the so-called Second Republic (1918-1945).



## IN ORDER TO "REPOLONIZE" THE ECONOMY, LAW AND JUSTICE WANTS TO MOBILIZE NATIONAL CAPITAL TO INCREASE DIRECT INVESTMENT BY POLISH COMPANIES IN POLAND AND ABROAD

One of the main obstacles for Poland's development – based on the government's Plan for Responsible Development announced by Deputy Prime Minister Mateusz Morawiecki<sup>7</sup> – is a lack of balance between foreign and domestic capital. Morawiecki proposed that some of the PLN 1 trillion (EUR 229 billion) that is about to be mobilized to boost Polish investment come from SOEs.

<sup>7</sup> The objectives of the Morawiecki's Plan are as follows: "an increase in investments to over 25% of the GDP", "an increase in the share of R&D expenditure to 2% of the GDP", and "an increase in the number of medium-sized and large enterprises to over 22,000". According to the plan, the government is willing to spend money immediately on certain investments and branches which are not chosen by consumers and producers but by the state itself. By 2020, PLN 530 billion (EUR 122 billion) from the state budget will be spent as an implementation of the plan (apart from the EU funds and the funds of the state agencies such as the National Health Fund). <http://4liberty.eu/morawieckis-plan-as-a-symbol-of-polish-state-interventionism/>





GOVERNMENT'S  
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THERE ARE MANY  
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INCLUDING  
A WORRISOME PLAN  
OF A CHANGE  
IN THE MEDIA SECTOR

The government highlights the concept of “repolonization” and need of building “world-class champions”. In order to “repolonize” the economy, Law and Justice wants to mobilize national capital to increase direct investment by Polish companies in Poland and abroad.

In 2016, a practical example of this line of thought could be observed in the banking sector, where PZU (Powszechny Zakład Ubezpieczeń, *Polish Insurance Company*), Central Europe’s top insurer, took over Alior Bank<sup>8</sup>. “It’s our first step in consolidating the Polish banking sector by PZU”, Chief

<sup>8</sup> One of the goals of the government was to get Poland’s level of share of foreign-owned assets in the banking sector below 50% very quickly. It is 60% today, compared with 12% in Germany, 15% in the UK, and 6% in France.

Executive Andrzej Klesyk said. PZU was in talks on two more buys as part of a plan to build a top-five banking group<sup>9</sup>. In June 2017, PZU with the Polish Development Fund completed the acquisition of a 32.8% share in Bank Pekao SA for PLN 10.6 billion. It was one of the biggest deals in the European banking industry in recent years<sup>10</sup>.

But the government’s repolonization dream does not end with financial companies. There are many more examples<sup>11</sup>, including a worrisome plan of a change in the media sector – a law that would limit the share of foreign capital in media businesses<sup>12</sup>. It is important to mention here that SOEs are already used by the government to shape the agenda of private media by advertising with public money<sup>13</sup>. Government agencies have ended their subscriptions to the media close to the

<sup>9</sup> <http://www.reuters.com/article/alior-ma-pzu-idUSL5N0YL03X20150530>

<sup>10</sup> Law and Justice’s politicians have many dangerous ideas how to use banks to win public support. For example, President Andrzej Duda proposed in his campaign to force banks to convert foreign-currency mortgages back into Polish zloty at historic exchange rates, leaving them with billions of euros in costs. That brought warnings from rating agencies, Poland’s banking regulator, and the National Bank of Poland that this could cause a banking crisis. Luckily, Andrzej Duda backed off, when he proposed leaving it to banks to find a “voluntary” solution, encouraged by regulatory pressures.

<sup>11</sup> On the other side Poland has left some foreign-dominated sectors untouched, including the auto industry, which draws hefty foreign investments.

<sup>12</sup> Media landscape in Poland is relatively diversified and competitive, without the oligarchic ownership that made Hungary so vulnerable to state-led capture. But several top Law and Justice MPs announced a media reform coming up in Autumn 2017, which will limit concentration of media ownership in foreign hands.

<sup>13</sup> Poland’s performance in the World Freedom Press ranking is dramatic. In 2006, two years after its accession to the EU, Poland ranked 60<sup>th</sup> in the World Press Freedom Index. It kept climbing up the index until 2015 when it came in 18<sup>th</sup> – the country’s best result so far. Nevertheless, it landed 47<sup>th</sup> in 2016, and this year it left the top 50, occupying a position similar to the position it had in 2005.

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STATE-OWNED ENTERPRISES ARE AN IMPORTANT PART OF POLISH LANDSCAPE

opposition while state-owned companies have cancelled advertising contracts with them<sup>14</sup>. *Gazeta Wyborcza*, the country's most widely read daily newspaper and a fierce critic of the party, had a 21% decline in revenue from 2015 to 2016, which was partially attributable to reductions in state and SOE advertising. On the other hand, conservative and Catholic media that were marginal on the market have noted a high increase in public advertising<sup>15</sup>.

### PERSONALIZATION OF PUBLIC GOVERNANCE

State-owned enterprises are an important part of Polish landscape. However, many of them are leftovers from a centrally planned economy. The Polish government owns 326 companies that employ almost 160,000 people. The enterprises are worth more than EUR 50 billion, 17 of them are listed on the Warsaw Stock Exchange, and many are the biggest companies in their sectors. They include banks, insurance, and mining companies.

<sup>14</sup> <http://www.tol.org/client/article/27054-rise-and-fall.html>

<sup>15</sup> Conservative weekly magazine *wŚieci* noted a 1000% increase and *Do Rzeczy* a 700% increase. <http://wyborcza.pl/7,155287,22046074,panstwowe-spolki-nieracjonalnie-wydaja-pieniadze-na-reklame.html>

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PARTY LOYALISTS WITH LITTLE OR NO EXPERIENCE HAVE ALWAYS BEEN PARACHUTED IN TO REPLACE LONG-SERVING CEOs IN SOME ENTERPRISES

Using SOEs and agencies as a source of patronage is a problem that all governing parties in post-communist Poland have encountered. Party loyalists with little or no experience have always been parachuted in to replace long-serving CEOs in some enterprises. Regardless whether it is Law and Justice or the Civic Platform, Polish People's Party, or the socialists, all perceive SOEs as a bottomless purse to use.

But Law and Justice was supposed to be different. Jarosław Kaczyński, the party leader, is known as an author of the so-called "TKM" expression that is used by Poles with reference to a "winner mentality", which typically prevails after an election victory. The infamous "TKM" stands for "*teraz, k\*\*\*, my*" ("*This is our f\*\*\* time now*"). He used the term publicly in a 1997 interview for *Gazeta Wyborcza*<sup>16</sup> while explaining why he did not run in the Sejm elections on the AWS<sup>17</sup> ticket, although he

<sup>16</sup> Karnowski, M., i chat; Zaremba, P. i other (2010). *Alfabet braci Kaczyńskich*. Kraków: Wydawnictwo M. p. 259

<sup>17</sup> Solidarity Electoral Action (Polish: Akcja Wyborcza Solidarność, AWS) was a political party coalition in Poland.

was one of the founders of this coalition<sup>18</sup>. He argued that “TKM”, an informal “fraction” of AWS, has become demonstrably too prominent. This “fraction” was characterized by relentlessness in acquiring government positions and simply replacing his predecessors to gain the benefits of their position without making reforms<sup>19</sup>.

In the 2015 election campaign, Law and Justice attacked the previous coalition government for using SOEs as their private manor and filling all vacancies with politicians. Earlier, in 2014, Law and Justice leaders showed their disapproval and outrage when Igor Ostachowicz, one of the closest advisors to Donald Tusk, landed on the board of PKN Orlen. Jarostaw Kaczyński noted: *“I think it’s about their arrogance, their instinctive arrogance. Later we can observe their reactions, they step back, because it’s a disgrace, scandal, but it’s their intuition. Intuition that comes from a deep contempt for the society, total negligence of ordinary human beings, identification only with a narrow group that is on the very top of the economic ladder”*<sup>20</sup>.

Law and Justice also used an example of Donald Tusk’s son who got a job in the Gdańsk Airport. But there were more: Aleksander Grad, the former Minister of State Treasury got a lucrative job in PGE Energetyka Jądrowa and his daughter-in-law was employed in PGE Dystrybucja Lublin. Joanna Mucha, the former minister of sport, appointed an owner of a beauty salon as deputy CEO of the the Central Sports Center.

<sup>18</sup> Later Kaczyński stated that the term “TKM” was invented by Marek Kuchciński.

<sup>19</sup> [https://en.wikipedia.org/wiki/TKM\\_\(Polish\\_term\)](https://en.wikipedia.org/wiki/TKM_(Polish_term))

<sup>20</sup> <http://wiadomosci.dziennik.pl/polityka/artykuly/531940,kolesiosstwo-po-nepotyzm-pis-misiewicz-i-tkm-kazda-partia-u-wladzy-robi-to-samo.html>

This “list of shame” of the previous government is quite long. It helped Law and Justice – a party with anti-corruption and anti-elites image – to win recent elections. Polish citizens expected moral renewal, transparency in nomination, and respect toward state money. What Law and Justice offered, however, fell short of expectations.

### **CRONYISM IN SOEs: THE MISIEWICZ CASE**

In September 2016, the Law and Justice government faced one of its most serious PR crises for its appointments to SOEs. The original focus was the controversy surrounding 26-year-old Bartłomiej Misiewicz, a close advisor to Defense Minister Antoni Macierewicz, following his appointment to the supervisory boards of two SOEs in spite of his lack of relevant qualifications. Misiewicz, a former pharmacy assistant without a university degree, was the defense ministry spokesman and close aide to the minister. He sometimes represented Macierewicz at military ceremonies and was addressed as “minister,” which drew strong criticism.

In December 2015, Antoni Macierewicz had Misiewicz direct a late-night raid by Polish military police on a NATO counter-intelligence center in Warsaw<sup>21</sup>, an incident that peaked in an investigation by the office of the prosecutor general and drew criticism from the NATO allies’ side<sup>22</sup>.

He was also given jobs in the defense industry<sup>23</sup>. He was appointed to the supervisory board of Polska Grupa Zbrojeniowa,

<sup>21</sup> <https://www.theguardian.com/world/2015/dec/18/polish-military-police-raid-nato-centre-warsaw>

<sup>22</sup> <http://wbj.pl/slovakia-criticizes-poland-over-raid-on-nato-center/>

<sup>23</sup> Poland’s *Rzeczpospolita* and *Fakt* dailies reported that Misiewicz had landed a PLN 50,000 (EUR 11,770) monthly salary – astronomical compared with average Polish wages – for working in a senior communications







## MISIEWICZ BECAME A SYMBOL OF LAW AND JUSTICE CRONYISM, AN OBJECT OF LAUGHTER AT AND INSPIRATION FOR ENDLESS MEMES

one of the largest defense consortiums in Central Europe. The company's bylaws require that board members should have college degrees, but the rules were changed to allow Misiewicz to join the company<sup>24</sup>.

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role for PGZ. The company denied the reports about his salary.

<sup>24</sup> Misiewicz's rapid career contributed to straining of civil-military relations after Law and Justice took office in 2015. Minister of Defense Antoni Macierewicz has implemented wide-scale staffing changes at the highest levels in operational units, replacing officers selected by Civic Platform. In the general staff, these changes encompass 90% of command positions, and 82% in the General Command. After his own shocking dismissal, Mirosław Różanski, General Commander of the Polish Armed Forces, pointed out the absurdity: "I received my first star from President Aleksander Kwasniewski, the second from Lech Kaczyński, and the third from Bronisław Komorowski." Only Komorowski was with Civic Platform. General Waldemar Skrzypczak — the former commander of Poland's Land Forces and of Multinational Division Central-South in Iraq — was fired from the Military Institute of Armament Technology. Additionally, the government created of a new territorial defence force aimed at deterring a possible Russian attack that critics say could end up serving as the armed wing of the ruling right-wing Law and Justice party. The force would be made up of 53,000 part-time soldiers stationed throughout the country by 2019. That would constitute a third of all Polish military personnel. According to the government's plans, in addition to their military duties the units will have responsibility for "anti-crisis measures, anti-subversion, anti-terrorism and anti-disinformation in defence of civil security and the cultural heritage of the Polish nation".

Thus, Misiewicz became a symbol of Law and Justice cronyism, an object of laughter at and inspiration for endless memes. Opposition and public opinion started using his name (in plural "misiewiczze") to describe all incompetent government loyalists employed in the public sector, having a negative effect on the party. Although it made Jarosław Kaczyński angry, Minister Macierewicz was vehemently defending his protégée.

Eventually, Misiewicz asked Minister Macierewicz to be suspended in his functions following allegations (which he denied vigorously) that he had offered a paid position in an SOE to an opposition councillor in exchange for him joining a local coalition with his party. He resigned as a member of Law and Justice the next day. Speaking to journalists, Misiewicz said that a "dirty campaign" by the media against him had attempted to tarnish "all the successes of the government of Prime Minister Beata Szydło, especially the social ones which improve Poles' lives".

Misiewicz lost his job, but his friends from Law and Justice quickly found him a new one. He landed softly in TV Republika, an ultra-conservative TV channel. But there is one thing he did not lose — the Golden Medal of Merit for National Defense. The medal recognizes meritorious service which strengthens the military of the Republic of Poland. When a 27-year-old would-be pharmacist was decorated with it, the military — and public opinion — was shocked and outraged. When the truth about his career came out and he was fired with a loud bang, no one deprived him of the medal. The Nowoczesna party wrote an official letter to the minister to do so. But Deputy Minister Bartłomiej Kownacki<sup>25</sup> answered that this would not be possible.

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<sup>25</sup> Another golden boy of Antoni Macierewicz. Recently

## POLITICAL FRIENDS AT SOEs

In March 2017, the most important SOEs listed on the Warsaw Stock Exchange published their yearly financial reports for 2016. The reports include remuneration of executive board and supervisory board members.

It is interesting to review data of key companies, such as:

- Polski Koncern Naftowy Orlen (PKN Orlen; oil refinery and petrol retailer),
- Polskie Górnictwo Naftowe i Gazownictwo (PGNiG; oil and gas company),
- Powszechny Zakład Ubezpieczeń (PZU; insurance company),
- KGHM Polska Miedź (mining and metallurgy company),
- Tauron Polska Energia (energy company),
- Powszechna Kasa Oszczędności Bank Polski (PKO BP; bank),
- Grupa Lotos (refinery and petrol retailer),
- Polska Grupa Energetyczna (PGE; energy company),
- Polski Holding Nieruchomości (PHN; real property company),
- PKP Cargo (cargo railway company).

They are especially important because companies listed on the stock exchange are subject to detailed scrutiny by financial authorities and the media. They should carry out transparent accounting and employment policy. Nevertheless, 38

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FAZ accused him of having links with pro-Kremlin far-right groups. <http://www.faz.net/aktuell/politik/ausland/polens-regierung-pflegt-enge-kontakte-zu-russland-15100209.html>



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board members of these companies were closely connected with the Law and Justice party or the United Poland party of Minister of Justice Zbigniew Ziobro<sup>26</sup>. According to OKO.press (a non-profit fact-checking project financed by the largest liberal media holding, Agora), those enterprises paid in 2016 PLN 28.5 million (EUR 7 million) to PiS nominees. Some individuals, former MPs, and council

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<sup>26</sup> Alternatively translated as "Solidarity Poland". The party was founded in 2012 by Law and Justice MEP Zbigniew Ziobro, who led the party's conservative Catholic-nationalist faction. Since 2015, United Poland has been in coalition with Law and Justice.

members, earned around PLN 2 million in 2016. The leader of this ranking was Wojciech Jasiński.

Shortly after Law and Justice's election victory in 2015, the supervisory board of Poland's biggest fuel group, PKN Orlen, dismissed CEO Jacek Krawiec and appointed Jasiński, a former Law and Justice MP, to the post. He gave up his seat in the parliament immediately after the nomination. It is not very surprising. Being an MP, he would earn some PLN 150,000. Now, however, his income is about PLN 3.3 million!

In 2016, Prime Minister Szydło unexpectedly liquidated the Ministry of State Treasury by technically firing its head, Dawid Jackiewicz. With the move, Law and Justice politicians understood that being a minister was a vulnerable position and it was better to move from government to SOEs, where the real money is and where friends could be hired. Jobs in such enterprises became choice morsels for different faction leaders within the administration.

According to the media, battles between government members for the best positions in SOEs became as fierce as the ones after eight years of the PO-PSL ruling coalition. Law and Justice's politicians felt that their government would not last eight years, so they had to act quickly. Previously, too, CEOs could complete their teams themselves. Now, however, even that is not possible because each team must be composed of members of different party factions.

No one wants to work and take strategic decisions in such an environment. Now it is all about marketing and delegating tasks. Law and Justice MPs admit that there is only one competent person needed on

each board, the one who is responsible for finances<sup>27</sup>. Everyone else can be unskilled, but must have strong political backing<sup>28</sup>.

## MONOLITHIC CRONIES?

Internal fights over positions in SOEs damaged the image of the Law and Justice camp as a monolith. A delicate balance inside the "Good Change Team" – as they like to call themselves – was compromised by Mateusz Morawiecki, who joined the government in 2015 as an outsider but got full support from Jarosław Kaczyński, together with unlimited control over the Polish economy.

He has since been perceived as Kaczyński's successor. Mateusz Morawiecki brought about the dismissal of PZU CEO Michał Krupiński, who represented Zbigniew Ziobro's group<sup>29</sup>. According to *Newsweek*

<sup>27</sup> <https://wiadomosci.wp.pl/tylko-w-wp-walka-o-wplywy-w-panstwowych-spolkach-sie-zaostrza-tylko-dyrektor-finansowy-musi-byc-kompetentny-6127895061457025a>

<sup>28</sup> We can also observe another battle between a few ministers to dominate the boards. Since Dawid Jackiewicz was eliminated from this game, the faction of Mateusz Morawiecki is competing with Krzysztof Tchórzewski, minister of energy. The competition is connected with the fact that, since January 1, 2017, the Ministry of State Treasury was liquidated and 432 SOEs were moved under control of other ministers. The minister of energy got 42 companies, (including KGHM, Enea, Energa, Lotos, Orlen, Tauron, Huta Łąbędy, JSW, Kompania Węglowa, PGE, PGNiG, PAK, and Siarkopol). The minister of development got more than 240 (including PKO BP, PZU, PLL LOT, GPW, Totalizator Sportowy, Grupa Azoty, Agencja Rozwoju Przemystu, Cefarm, H. Cegielski, Huta Ostrowiec, and Polski Fundusz Rozwoju). The minister of maritime affairs got 11 companies (including Dalmor, Polska Żegluga Bałtycka, Stocznia Szczecińska Porta Holding, Stocznia Szczecińska Nowa, Stocznia Gdynia, and Stocznia Gdańska). The minister of infrastructure got 47 companies (including Poczta Polska, Polsk Holding Nieruchomości, PKP, and PKP PLK). The minister of defense got 20 companies (including Mesko, Hutę Stalowa Wola, Stomil-Poznań, Polską Grupę Zbrojeniową, and Polski Holding Obrony).

<sup>29</sup> Kurpiński also represented very personal interests of Ziobro, hiring his brother Witold Ziobro and his wife Patrycja Kotecka in the PZU group. (<http://www.rp.pl/Rzad-PIS/170409892-Brat-Ziobry-otrzymal-posade-w-PZU.html>)



## THE SZYDŁO-ZIOBRO DUO IS PLAYING TOGETHER AND RECENTLY HAS WON CEO POSITIONS IN PEKAO BANK AND ALIOR BANK FOR THEIR FRIENDS

*Polska*, Ziobro was furious and PM Beata Szydło supported him, threatening that she would step down. Jarosław Kaczyński himself had to intervene and Mateusz Morawiecki was banned from appointing a new CEO of the biggest insurance company in Poland.

On the contrary, the prime minister won bigger influence over nominations and PZU was given to another ally of Zbigniew Ziobro. The Szydło-Ziobro duo is playing together and recently has won CEO positions in Pekao bank and Alior bank for their friends. Some commentators say the coalition in SOEs is the basis for a long-standing alliance in the party that aims at replacing the old leader.

Internal fights bring instability to key companies in the most sensitive sectors of the Polish economy. Since November 2015, some companies have witnessed numerous CEO changes. For example, Energa, an energy company in Gdańsk, has already

seen its fourth CEO. The first one was an expert, so he lost his job after a couple of weeks. He was replaced by a former CEO of SKOK Krapkowiec<sup>30</sup>, not related to the energy sector before but well-connected with the minister of state treasury.

There is only one powerful CEO nominated by the former government who has kept his job. Zbigniew Jagiełto, CEO of PKO BP, became Methuselah in this sector. However, it is not only due to his management experience and skills but also due to his membership in the anti-communist radical group Fighting Solidarity, led since 1982 by Kornel Morawiecki<sup>31</sup>, father of Mateusz Morawiecki.

### FINANCIAL CONSEQUENCES FOR SOEs

What are the consequences of these nominations for the financial results of SOEs? They are significant and surprising at first sight. Some commentators created even a new stock market called *WIG PiS*. *WIG PiS* is an index of the 20 biggest state-owned companies managed by Law and Justices' nominees. According to all analyses, this index is doing great. It was the best investment in recent years. Market capitalization of SOEs grew from PLN 232 billion in October 2015 to PLN 268 billion in May 2017 (+PLN 36 billion). *WIG PiS* grew by 17.8%, compared to 7.9% of *WIG20*.

So maybe Jarosław Kaczyński and Beata Szydło were right and chose great managers who simply happened to be Law

<sup>30</sup> SKOK – Cooperative Credit Savings Association, a network of credit unions close to Law and Justice.

<sup>31</sup> A member of Polish Parliament, serving his 8th term of office. In the 2015 Sejm election, he was first-place candidate on the Kukiz'15 electoral list of Paweł Kukiz in the Wrocław electoral district. He was involved in a Sejm scandal in April 2016, when Morawiecki left his Sejm member card in the voting device after feeling ill and exiting the debating hall, resulting in MP Małgorzata Zwiercan casting his vote for him. Following the scandal, he left Kukiz'15 and began organizing his own party along with Małgorzata Zwiercan, who had been expelled from the Parliamentary club.



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and Justice's politicians at the same time? Not really. The growth is a bounce after months of falls and uncertainty before the 2015 elections and post-elections transition period when investors, fearing Law and Justice, withdrew their money from the Warsaw stock market. It is also connected with global growth and general optimism among investors.

The global demand for steel moves higher and the price of coal is growing. Also, copper prices have been growing recently worldwide. For Polish coal companies (an important component of WIG PiS), 2016 was rather good, but it should be stressed that some previous years were much better (JSW earned PLN 4.4 billion net in 2016, but in 2011 it was PLN 2 billion). Good results of oil companies are due to limitations on the illegal import of Russian oil, and a general good economic trend. The latter one started in Poland before Law and Justice came into power, at the turn of 2013 and 2014. The Szydło administration accelerated it with its flagship social program "Family 500 Plus"<sup>32</sup>. That program costs the state budget a gigantic amount PLN 23 billion in 2017 alone. Families spend the vast majority of those benefits on consumption, including new cars, which leads to the improvement of the financial results of the PZU insurance company.

What looks like a great success of the government employment strategy is an illusion. SOEs are packed by incompetent politicians who lack clear visions and focus on PR or marketing. Their success will end

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<sup>32</sup> The "Family 500 Plus" program envisages PLN 500 for every second and consecutive children regardless of household income, as well as for the first child in households with incomes not exceeding PLN 800 per capita monthly, or PLN 1,200 if the child is disabled.

alongside deterioration in the international economic environment, or with budget difficulties connected to overspending.

### ON THE LOCAL LEVEL

The wind of change blew not only for national champions in Warsaw. A gentle wind of public money for Law and Justice's loyal activists flew over Poland from the Baltic Sea coast to the Tatra mountains. Year 2016 was one of great economic success for PiS and its coalition parties' members in all Polish cities, towns, and villages. Many of them found new well-paid jobs – from the state or local budget, of course. Others were rapidly promoted, benefiting from wage increases not available (or imaginable) to regular citizens.

Nowoczesna analyzed personal property declarations of Law and Justice councillors on the municipal, county, and regional level, and announced the results during press conferences around the country. It further provided examples of regional councillors whose income is now 20 times higher than in 2015 because of new SOE contracts. Nowoczesna's campaign ("Councillor Plus") received big media attention and was creatively developed by media such as *Gazeta Wyborcza*.

The first impression after studying these materials is that the best way to get a lucrative job is to have an education in property management and theology. That is, for instance, exactly the profile of Law and Justice's city councillor from Cracow, Paweł Terlecki, who got a job in 2016 in a local company called Opakomet (controlled by the state) and earned PLN 100,000. Terlecki was hired immediately after the 2015 elections by his party-mate. He is a specialist in canon law and had nothing to do with the production of plastic wrapping, which is what Opakomet does.

Cezary Jurkiewicz is another example. This Warsaw city councillor and president of the local "Gazeta Polska" Klub<sup>33</sup> was nominated in January 2016 by his colleague-minister of sport for chairman of the National Sport Center<sup>34</sup>. He had not had anything to do with sports or sport management. He graduated from Warsaw Theological Academy. For 12 years, he managed cafes. His new position at COS gave him more than PLN 200,000 in 2016. But it was not enough! In 2017, he was promoted again and became the first chairperson of a newly established Polish National Foundation, a public organization whose main goal is to fight stereotypes against Poles all over the world, with a budget of more than PLN 100 million coming from "donations" from the biggest SOEs. Such examples can be multiplied.

It can be easily concluded that nowadays in Poland, it is not skills, competency, or experience that decide promotions and bonuses in SOEs. It is having friends and family members in Law and Justice.

### EMBARRASSMENT AND ALL THAT

*It has always been like that* – some Law and Justice members say to cut discussions about their party's nepotism. It means they are hopeless and hitting a dead end. Using SOEs as a source of patronage is a problem that all ruling parties in post-1989 Poland have encountered. However, the allegation that Law and Justice tolerates cronyism is especially damaging, even more than the crises over the freedom of media or independence of the judiciary. It demolishes Jarosław Kaczyński's claim to stand for the moral renewal of Poland and Polish elites.

<sup>33</sup> A local discussion clubs organized by readers of right wing, nationalistic weekly magazine *Gazeta Polska*, unconditionally supportive towards the Law and Justice government.

<sup>34</sup> Centralny Ośrodek Sportu (COS). Its main goal is to prepare sportsmen and sportswomen for the Olympics.

In 2015, one of the most important points in Law and Justice's election program was to stand up against standards of the previous Civic Platform administration representing an out-of-touch and complacent establishment (so-called "fat cats") tainted by scandals. Jarosław Kaczyński and his disciples have failed miserably and lost the legitimacy to call themselves "pure defenders" of public morality.

Many Poles laugh at *misiewiczz*, feel embarrassed, or even shattered. But it is important that we understand those people are responsible for key companies in Poland that influence the growth and national security of the country. Companies in the hands of party loyalists cannot be innovative and competitive on the global market – they are not oriented toward maximizing profits in the long run. They are oriented toward preserving the status quo. They cannot be left in the hands of greedy apparatchiks. Firing them is not enough to clean up the situation. All connections between the SOEs and *external* consulting, PR, or marketing companies owned by party officials must be cut and investigated by independent authorities, as cases of acting against the company's interests are very likely to be proven.

## LIBERAL RESPONSE

What should be the liberal answer to this pathological situation? The simplest one that will cut connection between politics and the companies is privatization. Privatization has been one the most important driving forces behind the economic success of Poland after 1989. However, in the 2010s, the process has lost its momentum.

The former government attempted to generate privatization revenues but simultaneously tried to supervise more companies.

The current government, with its nationalist and statist sentiment, is forcefully against privatization. Cronyism is only one of the negative consequences of this trend<sup>35</sup>.

Liberals should overcome the pressure of self-interest groups and political parties, and offer a clear and transparent privatization plan based on experiences from the past<sup>36</sup>. For the companies that will stay in the hands of the state (it is clear that not all of them can and should be privatized because some play a crucial role for national security), the rules of employment must be clear and immune from political influence. ●

<sup>35</sup> It can reduce competition, give way to political rent seeking, and weaken the functions of market institutions.

<sup>36</sup> To avoid potential abuses, eg. undervaluation of companies, lack of transparency, and possible corruption schemes.



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