



POLAND'S LUCKIEST GENERATION



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POLAND

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I am the luckiest Pole ever. I am a member of the richest, safest and happiest generation in Poland's history. There were many reasons why Poles "made it" for the first time ever, but one reason stands out: the Polish political and economic miracle would not have happened without the European Union.

Poland and the rest of the region has been underdeveloped, peripheral and a few steps behind the West for most of its history. During long centuries, Poland's GDP per capita (in PPP) has stagnated below half of the average level of Western Europe. In 1989, when Poland transitioned to a democracy and spearheaded the fall of the Berlin Wall, the average income of a Pole amounted to less than one quarter of the income of an average German (and even less in nominal terms). The country was bankrupt, uncompetitive, and ravaged by hyperinflation. No one would bet any money on Poland then.

And yet, almost 30 years later, Poland has become by far the most successful economy in Europe. It almost tripled its GDP per capita PPP from \$10,300 in 1990 to more than \$28,000 in 2018 (in 2011 constant dollars). At the same time, Hungary's income, the early leader of transition, has not even doubled. France's GDP per capita increased by barely a third.



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Since 1995, Poland has also become the fastest-growing large economy in the world among upper middle-income and high-income countries, beating even the Asian tigers such as South Korea or Singapore. In 2018, the average level of income in Poland exceeded two-thirds of Western Europe, the highest level ever.

Poland has also become the inclusive growth champion: it was the only post-socialist country in the region where the incomes of even the poorest Poles grew faster than the G-7 average. Well-being and happiness boomed too: according to the [OECD's Better Life Index](#), Poland's well-being is as high as in, for instance, a much richer South Korea. More than [80 percent of Poles are also satisfied with their lives](#), up from only around half at the beginning of transition.

Prospects for further growth are good. The IMF projects an average growth of around 3 percent in the next five years. This should allow Poland to become richer than Portugal in 2019 (on a PPP per capita basis) and achieve more than 80 percent of Spain's income by 2023. By 2030, Poland's income might reach 80 percent of Western European's income level, the highest relative level ever. [Poland's Golden Age](#) will be in full swing.

The European roots of the Polish miracle

How did Poland, a perennial economic underachiever, manage to suddenly become Europe's growth champion? In my new [book](#) I argue that after 1989 Poland was successful for the first time ever because of several fundamental reasons. These [reasons](#) include the emergence of an inclusive, egalitarian and socially mobile society, a strong social consensus to "return" to Europe, high quality of policymakers, and the rise of a nascent middle class and new business elite, which supported democracy and open markets. Good economic policies also helped.

But the Polish miracle would not have happened without one fundamental element: the Western European decision to embrace Central and Eastern Europe and to use the lure of accession to the European Union to drive fundamental reforms.

The prospect of the accession to the EU was the key driver of institution building in Poland. Poles knew that joining the EU would bring prosperity, stability and dignity, and they were ready to do whatever was necessary to make the accession happen.

As a result, during the accession process Poland "downloaded" more than 50,000 new laws and regulations that encapsulated the very institutions that took Western Europe more than 500



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years to build and the same institutions that made Europe what it is today: the most prosperous, humane and happy continent on earth.

Poland also adopted new European values and “ways of doing” things, even if only partially. While everyone focuses on the current government, which seems to embody values much different from those in Western Europe, it is easy to forget that during the last elections two-thirds of society voted for pro-European parties and [more than 80 percent of the society is pro-EU](#), the highest proportion among the member states. It is also easy to ignore the fact that Poland’s culture was even more different in the past: before 1939, the values of Polish society, ruled by an autocratic elite that presided over a largely poor, peasant and often illiterate society, were incomparably less Western than today. In fact, according to one perspective, [Poland’s culture is still in many ways closer to that of Latin America](#) than to many other countries in Europe. The fact that such values did not undermine the country’s success is a testament to the key role of EU institutions.

It also mattered that EU institutions and rules, such as on the size of the budget deficit, prohibition of state aid or support for the rule of law, restricted the scope for harmful economic policies. [Many emerging markets around the world lack such](#)

[an “institutional straitjacket”](#), which leaves them at the mercy of economic populists, leading to repeated crises and thwarting their development.

Finally, billions of euros from EU funds allowed Poland to develop an infrastructure that it would have never built on its own, to support investment in education and innovation, and to strengthen institutions. Various estimates suggest that EU funds contributed about 0.5 percentage points of Poland’s GDP annual growth after 2004. But these estimates do often not take account of many additional positive spillover effects of EU funds on the economy and society: without a proper highway network or billions invested into research infrastructure, economic growth would have slowed a long time ago. Without billions invested into city rejuvenation and beautification, Polish cities would continue to underwhelm. And without billions invested into the social and well-being infrastructure, Poles would not be as satisfied with their lives as they are.

Overall, there is strong evidence that without Western institutions, open borders and EU funds, Poland and the other new EU member states in the region—which all now live through their own golden ages—would have never succeeded. Poland could have at best ended up like Belarus; at worst, become as poor as Ukraine.



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What will happen next?

Given its high quality of human capital, rising productivity and open European borders, Poland's economy is not likely to stop growing any time soon. While it faces many challenges—population ageing, low level of innovation or low domestic savings—none of these challenges are insurmountable. The new growth model that I propose—[The Warsaw Consensus](#)—can help minimize the challenges and maximize the chances.

But the future of Poland will fundamentally depend on two key factors: the strength of the European Union and the robustness of its inclusive society. Without a strong, open, and competitive EU, Poland's miracle will quickly end. The same fate will befall Poland if it fails to sustain an inclusive society, where anyone can flourish because of their talents rather than the wealth of their parents. In short, a society where even an impecunious boy raised by a single mother in a small town in the middle of nowhere can be successful. A lucky boy like me.

