origin. The ethical (as opposed to moral) bonds that every community feels bound to cultivate is a form of religious expression as well. Thus the struggle to remove religion from the public square is in fact a struggle to return to the state of Hobbesian barbarism in which the situation of *homo homini lupus* must prevail.

Stawrowski's book is based on a profound knowledge of the European philosophical tradition, from Plato all the way to Luther, Hegel, Kant, Edmund Burke, and John Paul II, to name a few. His ability to show where Europe went wrong and Poland went right (as in the Warsaw Confederacy of 1570 that established the correct understanding of religious tolerance and made Poland a refuge for all kinds of religious dissidents from all over Europe) is also to be noted. Finally, Stawrowski quotes a book by Italian Jewish philosopher J.H. H. Weiler, who argues that the retreat from acknowledging Europe's Christian roots (as demonstrated in the present constitution of the European Union) was and is a grave mistake. (*SB*)

***Polska elita polityczna 2013,* by Rafał Matyja and Błażej Sajduk.** Kraków: Wyższa Szkoła Europejska im. Ks. Józefa Tischnera (www.wse.krakow.pl), 2014. 72 pages. ISBN 978-83-60005-40-8. Paper. In Polish.

This compact book gathers together demographic and other information about the nomenclature surrounding the Civic Platform government that has now been in power for seven years. It offers data concerning age group, region of birth, education, gender issues, and experience before joining the elite. The authors conclude that the excessive length of tenure of the Donald Tusk government has resulted in one party's (PO) excessive control over the central and local government structures in Poland. The authors also note that since 2005 the Polish Sejm (Parliament) has absorbed a large number of originally provincial politicians, and that a large group of MPs began their careers as bureaucrats for one party (PO). The majority of parliamentarians are over forty years of age; again, before becoming parliamentarians many of these persons were working in the party apparatus or in youth organizations. Warsaw and the Warsaw voivodship are overrepresented among the MPs. Finally, mayors of cities usually enjoy the longest tenure in office, while secretaries of state and their deputies the shortest. This indicates that while on the local level stabilization has been reached, at the top of the pyramid there is little stabilization and much uncertainty. Δ

Correction

In the review of *Wołyń we krwi 1943* by Joanna Wieliczka-Szarkowa (*SR,* April 2014), the name of the book's author was misspelled. It is *Wieliczka-Szarkowa* and not *Wieliczko-Szarkowa.*

A Report from Poland on the Economy

Richard J. Hunter, Jr. & Leo V. Ryan, C.S.V.

Consider this optimistic quotation:

> In just 20 years, Poland has reversed 500 years of economic decline. It hopes to soon join the euro zone of single currency nations. Foreign investment is flowing and the Warsaw stock exchange continues to grow. The remake of Poland is a remarkable feat, considering this nation, pinned between Germany and Russia, has spent the better part of the past 200 years fighting invasions, near complete destruction and communism's iron grip.[1]

On the other hand, the Polish Ministry of Economy summed up its 2013 report as follows:

> In 2008 and 2009, the global economic crisis exerted an unfavorable influence upon the economic situation in Poland. As a result, the economic activity in the country has dwindled, with the GDP growth rate dropping to 1.6 percent. The two subsequent years brought about an increased growth rate, reaching 3.9 percent and 4.5 percent in 2010 and 2011 respectively. In 2012, the Polish economy was hit by the second wave of the economic crisis, causing the growth rate to fall to 1.9 percent.[2]

Despite what may be seen as less than optimal news, a series of reports from government sources and economists from both inside and outside of Poland provide interesting perspectives on the possible future direction of the Polish economy. These reports, coupled with detailed macroeconomic statistics available from GUS (Główny Urząd Statystyczny, or Main Statistical Office), have led economists from both within and outside Poland to predict that the next few years will be a period of recovery and then growth in the Polish economy. This report attempts to highlight and amplify many of their most important predictions.

Based on data from the first quarter of 2014, Poland's Ministry of Economy revised its forecast for growth in GDP from 3 percent to 3.3 percent. This projected growth is much more optimistic than the 2.5 percent increase in growth that was assumed in the government's 2014 budget and should provide some much-needed "breathing room" for Polish finances.

Reversing the trend of 2012, the Economy Ministry estimated that Poland's GDP grew 3.1 percent in the first quarter of 2014. Total consumption rose by 2.2 percent marked by a 2.6 percent rise in private consumption that itself rebounded from a rather weak 0.8 percent increase in 2012. Gross fixed capital formation, which refers to the net increase in physical assets (investment minus disposals) within the measurement period but not accounting for the consumption (depreciation) of fixed capital or land purchases, is often an indicator of future growth. According to preliminary data, it increased by a healthy 3.9 percent.

This optimistic view is shared by some foreign experts who are also predicting a much-faster growth rate for the Polish economy than previously reported. In June the *Warsaw Voice*[3] reported that William Jackson, an economist with London-based Capital Economics, believes that Poland is capable of reaching a hefty 3-4 percent growth a year and sustaining it until the end of the decade. Capital Economics cites several reasons that indicated Poland will meet these targets. Jackson predicts economic recovery generally in the Eurozone, which should result in a significant spillover and boost to Poland's export-led industrial sector. It is important to remember that Germany remains the Eurozone's strongest economy, and also as Poland's largest trading partner, accounting for more than one-quarter of Poland's exports.[4]

A second factor is the improvement in Poland's investment picture. According to Capital Economics, another significant driver of the Polish economy will be investment, which will be affected by both an improved business sentiment and better conditions on the credit market. The credit market is being aided significantly since the Polish central bank (NBP) is continuing its policy of keeping interest rates low; this policy is likely to be maintained due to low inflation which now stands at 1 percent. Combined with falling unemployment (standing at 12.5 percent in May 2014[5]) in the context of the generally improving macroeconomic conditions described above, this will encourage consumer spending.

A third factor in the optimistic forecast is that Polish consumers have rebuilt their savings over the past year. Savings now stands at 16.8 percent of GDP, which should further contribute to unblock consumer spending.

Overall, Capital Economics predicts that Polish GDP will grow 3.5 percent this year, followed by 3.7 percent next year (2015).[6] In the medium term, because of Poland's ever-increasing integration within Western Europe, Poland continues to be competitive with the larger European economy because of its relatively low level of income. In sum, Capital Economics believes that Polish GDP should grow at a rate of 3 to 4 percent a year until the end of the decade.

This view is shared by Grant Thornton, a global auditing and consulting firm that also believes that the Polish economy is gradually returning to a path of sustained and robust growth. It is important to note that in its report, "*Poland: Dynamism at the Heart of Europe,*"[7] Grant Thornton points to a growing level of business confidence and optimism and an increased number of planned investment projects in Poland. This comment is supported by PAIiIZ, the Polish Investment Agency, which reports significant interest is being shown in investment placements.

Grant Thornton joins Capital Economics in predicting that 2014 will see a significant recovery in the Polish economy and that the country's GDP growth will continue to see steady upward progress. The firm analysts base their view on seeing a balance between internal and external demand and the maintenance of low interest rates. According to the report, the generally improving economic situation in the Eurozone will help improve the picture for Polish exports and growing domestic demand will contribute to a significant increase in imports.

Grant Thornton notes that Polish businesses are planning to increase the number of investment projects in 2014 and expect to increase their sales revenue in the next twelve months. It also reports that significantly, nearly half the respondents expect an increase in profitability during this period. Forecasts for 2015, and presumably going into the future, remain equal if not higher, relating to the highest level of business optimism since 2008.

The Warsaw Voice cites the comments of Professor Waldemar Frąckowiak of the Poznań University of Economics, also associated with Capital Economics, who notes that the Polish economy is entering the recovery phase of the business cycle. Thus, "due to the underutilization of production potential, Polish companies are prepared to absorb the growth."

A challenge is an increase in productivity, which has so far been based on launching simple organizational reserves. A further increase in efficiency depends on being able to make major technological progress and increased innovation." In meeting the challenge of increasing productivity, Poland can begin to develop an economy that is predictably driven by sustained growth and development.

However, many negatives persist. The Grant Thornton survey shows that bureaucracy is still a key constraint for those doing business in Poland. The OECD offers a similar appraisal in noting that "restrictive product market regulations still hinder activity substantially. These take the form of heavy barriers to entrepreneurship and the extensive involvement of the state, even in potentially competitive sectors. Business registration procedures are cumbersome, and the bankruptcy process is lengthy and costly."[8] As reported by the Ministry of Economy, "The problems that have continued to plague the Polish economy in recent years include the procedures relating to building permits (time-consuming, excessively formalized and expensive) as well as the protracted recovery of amounts payable under contracts. In addition, the relatively weak performance of our economy is attributed to poor infrastructure, insufficient level of innovation and labor market efficiency as well as poverty and social exclusion."[9]

Nearly half of the respondents to the Grant Thornton survey echoed the findings of the Ministry and reported that unclear regulations remain the main impediment to the development of their business over the next twelve months. It is worth noting that there seems to be less concern expressed in regard to poor transport links and poorly developed telecommunications infrastructure as factors constraining development, which is in sharp contrast to previously expressed comments.

What is the view of potential foreign investors? A survey by the Polish-German Chamber of Industry and Commerce (AHK Poland), carried out in conjunction with nine additional chambers of commerce in Poland shows that Poland is unchallenged in Central and Eastern Europe in terms of investment attractiveness. Countries were evaluated on the basis of twenty-one factors relating to the inflow of foreign capital. Poland's score was 4.76 points out of a maximum of 6. Poland's traditional competitor the Czech Republic came in second with 4.04 points, and Slovakia was third with 3.84 points. Hungary, which had challenged Poland in the 1990s and 2000s, was fourth. Six factors were identified as basic preconditions to Poland's continued success in attracting foreign direct investment. These are Poland's large potential domestic market; relatively low labor costs[10] in comparison not only to Western Europe but in comparison to Slovenia, Estonia, Slovakia, the Czech Republic, Hungary and Latvia; Poland's location, literally at the "heart of Europe"; a well educated labor force;[11] solid macroeconomic policies; and an increasingly stable and transparent legal and tax system.

According to the survey, 91 percent of the companies surveyed expect that their economic condition will not worsen over the next year, and almost 75 percent said they intend to increase their investment expenditure in Poland or continue it at its present level. The results of the survey bode well for future prospects. In fact, the vast majority of respondents rate Polish workers highly, as well as their skills, productivity, and motivation. As last year, several factors continued to be negatives in investment appeal, most notably the tax system and institutions involved in tax collection and enforcement,[12] public administration, and transparency of the public procurement system.

Not all data point to optimistic conclusions. The conversations of government ministers, secretly recorded and recently published by the popular weekly *Wprost,* indicate massive corruption in government circles.[13] The near doubling of indebtedness (the last seven years under the Tusk government saw the increase of external debt from 530 to 984 billion zloties[14]), coupled with an increase rather than decrease in bureaucracy (under Tusk, 100,000 new government positions have been created, and the bureaucracy has swollen to 440,000 officials drawing substantial salaries in a country of 38 million[15]) signal problems for the future. The destruction of Poland's shipbuilding and industrial capacity (the closing of shipyards, steel mills, and coal mines) has been good for ecology but has had mixed results for the Polish economy. All this has resulted in an over 12 percent unemployment[16] and has forced 2 million young Poles to emigrate in search of work. Economist Witold Kiezun has argued that economically speaking, Poland's economy follows the pattern of a colonized rather than independent country.[17] The positive outlook for the Polish economy could also be eclipsed by the unstable situation beyond Poland's eastern border. An escalation of the Ukrainian-Russian conflict and further sanctions imposed by the European Union in conjunction with the United States could hit the Polish economy and Europe as a whole in a variety of sectors, most notably the energy sector. Δ

NOTES

1 Tanya Talaga, "Poland: the EU's unlikely economic bright light," *at* www.thestar.com**,** Dec. 13, 2013). *See also the CIA Factbook,* "Poland 2013," *at* https://www.cia.gov/library/publications/the-world-factbook/geos/pl.html.

2 Ministry of Economy, *Poland 2013: Economy Report*, p. 7, 2013.

3 *Warsaw Voice*, "Economy Recovering," June 3, 2014, at http://www.warsawvoice.pl.

4 Germany, 26 percent; United Kingdom, 7 percent; Czech Republic, 6.5 percent; France, 6 percent; Russia, 5.2 percent; Italy, 5 percent; Netherlands, 4.6 percent.

5 <http://www.tradingeconomics.com/poland/unemployment-rate>, accessed 9 July 2014.

6 However, the most recent prediction of Capital Economics is that because of a slowdown in Germany, Central European countries will also slow down in the second half of 2014. See Portal <w gospodarce.pl" at http://wgospodarce.pl/informacje/14669-radosc-jest-przedwczesna-jesienia-nastapi-wyhamowanie, accessed 10 July 2014.

7 *See* <www.slideshare.net/.../poland-dynamism-at-the-heart-of-europe-ibr-2014>.

8 OECD, "Economic Survey of Poland 2014," *at* <**http://www.oecd-ilibrary.org/economics/oecd-economic-surveys-poland-2014_eco_surveys-pol-2014-en>.**

9 Ministry of Economy, *Poland 2013: Economy Report*, p. 9, 2013.

10 Krzysztof Bukanski, "Labor Costs in Poland," Sept. 13, 2013, *at* www.GBSRecruitment.com/read/items/labourcosts.

11 Poland's current labor force consists of the following: agriculture, 12.9 percent; industry, 30.2 percent, and services, 57 percent.

12 Richard J. Hunter & Leo V. Ryan, C.S.V., "A Comprehensive and Contextual View of Polish Taxation in 2014," *International Tax Journal*, March-April 2014, pp. 27–35.

13 *Dziennik Gazeta Prawna,* at <http://wiadomosci.dziennik.pl/polityka/artykuly/461954,afera-tasmowa-w-rzadzie-sienkiewicz-rozmawia-z-belka-nagranie-i-stenogram.html>.

14 Jacek Strzelecki, "To co Tusk zrobił Polakom," Portal <wgospodarce.pl>, 28 June 2014.

15 *Fakt,* 10 July 2014, <http://www.fakt.pl/polityka/nowe-etaty-w-nfz,artykuly,473610.html>, accessed 10 July 2014.

16 Portal <http://telewizjarepublika.pl/liczba-bezrobotnych-w-polsce-wciaz-maleje-jest-najnizsza-od-dwoch-lat,9043.html, accessed 15 July 2014.

17 Witold Kieżun, *Patologia transformacji* (2012), as summarized at <www.pch24.pl/zielona-wyspa-czy-neokolonia-,20198,i.html#ixzz2pMNDYw1n>.