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***PIS GOVERNMENT CYCLE NEARING MIDTERM
– FROM THE VIEWPOINT OF POLAND***

INTRODUCTION

There was a huge change elections in 2015 but now the situation in Poland is quite complicated. On the one hand, the country is continuously improving and on the other there are serious tensions.

The complication is the result of changes pushed by the current government. Changes are quite revolutionary and refer to many areas of social and economic life. For a full understanding of this situation, it is important to observe how public debate is structured. The fundamental aim of the United Right (coalition led by PiS) is the far-reaching change of the political and social system in Poland, including at least partial exchange of social elites. The result of this approach is the middle-class anxiety about its position and its opposition to the planned changes. The government sets the elites (which also include certain middle-class groups) against the lower class, which position is improving due the welfare as well as dignity policy.

Therefore, apart from the growing political conflict on the ruling-opposition axis, there arises social conflict (also on economic basis) between elites and masses, or more precisely between lower and middle class.

As a result of this policy, the ruling coalition gains the support of the lower classes by building a large (though uncertain) electoral base and there is no chance for opposition to attract those voters.

SECTION A - GOVERNANCE PRIORITIES, PRACTICES, PERFORMANCE

As I already mentioned, the purpose of the government is to rebuild the state at its institutional level, to reduce social stratification, and to exchange all or part of the elite. At the level of the economy, the aim is to change the sources of growth and competitiveness of the Polish economy.

The social transfers have been the most successful - including the governmental flagship program of the "Family 500+ ". This is the largest redistribution program in Poland for the last 28 years, aimed to improve the economic situation of Polish families. Its purpose was to provide financial support to families with children.

The current government has also restored a lower retirement age, which for the demographical reasons was increased by the previous ruling coalition PO-PSL (EPP). In terms of competitiveness of the economy, programs supporting innovation are implemented, but their effectiveness assessment will be possible within 2-3 years. Today, the economy is growing driven by internal demand and by the speeding up economy of the European Union.

The "Apartment+" - another big welfare program based on state housing is being implemented. The beneficiaries of this program are families with incomes not allowing them to buy their own apartment.

The parliament is working on the partial ban on trade on Sundays, this project is strongly supported by the trade union "Solidarność" and Catholic Church.

Changes are being implemented in the area of defense - a large proportion of senior commanders were being exchanged. Territorial Defense - a new type of armed forces was created. Ministry have completed the Strategic Defense Review – large program of strategic planning.

The Ministry of Finance successfully carried out a major change in the fiscal apparatus - merging of services, tax offices and customs into one structure - National Tax Administration (KAS). There were some doubts about declining efficiency in collecting taxes in the transition period, but instead there the revenues to the budget have significantly improved. It is important to point that government has been continuously work on the reduction of VAT fraud. The solutions designed by the previous cabinet were efficiently implemented (the so-called "fuel package") and extended, which resulted in a significant increase in tax revenues. Works on the changes in the judicial system are underway. The proposed changes aim to increase the influence of the executive and legislative bodies at the Supreme Court and the National Judicial Council (KRS). The Constitutional Court (personal changes) and the general judiciary (the influence of the Minister of Justice on the cast of the presidents of the courts) have been already reformed. However, the final shape of the new regulations remains uncertain due to differences of opinion between the ruling party and the President Andrzej Duda.

SECTION B - EUROPEAN UNION POLICY, VISION OF THE FUTURE OF THE EU

The main priority that emerges from documents and public declarations is sovereignty within the European Union. Poland aims to strengthen and widen the scope of competences which are not subject of Community regulations. Poland will not participate in the fiscal union project. The government is also not planning to join the euro zone, which is in line with the social sentiment on the issue.

Another important issue for Poland is climate policy, which is seen in the context of the competitiveness of the EU economy and the economies of member states.

Poland wants to achieve this goals by creating a balance between the principle of state sovereignty and the prerogatives of the Community institutions. In practice, this means abandoning projects that reinforce integration and strengthening the position of the Member States.

Poland is also working to build an agreement between Central European countries in order to strengthen their voice within the EU. The core of this plan is to be the Visegrad Group, which Poland is heavily involved in. The importance of other formats, like the Weimar Triangle is decreasing.

A key objective for European policy is to secure Polish interests in the negotiations of the EU multiannual financial framework 2021-2027, with a special focus on cohesion policy and the Common Agricultural Policy.

Poland also intends to defend workers' mobility, although the fate of this case appears to be settled.

SECTION C - CHALLENGES (ECONOMIC / FISCAL, SOCIETAL, POLITICAL, INTERNATIONAL AND REGIONAL)

Major challenges can be divided into economic, social, political and international.

ECONOMIC GROWTH

Economic growth in Poland is characterized by good pace, much better than last year. However, analysis of the National Bank of Poland indicates that the two main causes of growth:

- external - dependent on the growth of the largest economies of the European Union - mainly Germany and France. Export to the countries of the Community is one of the pillars of the current economic recovery in Poland.
- internal demand - a systematic improvement in the labor market since 2013 and the widespread introduction of the welfare program Family 500+ in 2016 resulted in an increase in consumer spending of households, boosting the GDP growth.

In its analysis, the NBP indicates that there is a significant decrease of investments in the private sector. Those investments are the basis for maintaining or increasing economic growth in the in the coming years. The analysts point out that dependence on good economic conditions in the largest economies of the Union and on internal demand does not guarantee economic stability in times of crises. Therefore, the NBP and the Monetary Policy Council (RPP) maintain low interest rates in order to support the supply of “cheap money” to stimulate the economy.

SOCIAL DANGERS

News on good economic growth, the best situation on the labor market for years and good budgetary situation are spreading fast in Poland. In this regard, in various social and professional groups, there is a belief that “the belt tightening” time has come to an end, and the postponed pay and financial claims can be put forward. An example of such conflict is the strike of a young doctors seeking to increase health care spending from 4.6 to 6.8 percent of GDP. It is expected that this is just the beginning, because there are another groups waiting to call their demands.

Dynamic changes in the political and institutional system of Poland generate also political and social conflicts. The core of them is the exchange of staff in public institutions responsible for various spheres of social life. In addition, there is a strong conflict of values between the electoral base of the government and the electoral base of the opposition. Polls shows that the high support of Law and Justice is based on votes of lower levels of society. Meanwhile the opposition enjoys greater support of the elites and middle class. Due to such distribution of political sympathies, the United Right (PiS) is focusing on meeting the expectations of their political base. This situation strengthens the division between the middle (and higher) class and the rest of society. The temperature of this dispute is rising, deliberately fueled by politicians regardless of their political affiliation. Successful realization of ambitious goals of social and economic policy (including digitization and innovation) without middle class support will be at least difficult. It should also be pointed out that the rising of a new middle class is a long-term and expensive project – going far beyond the length of parliamentary term. It could become a heavy burden for the initial stage of modernization and economic development.

IMMIGRATION AND ECONOMIC MIGRATION FROM UKRAINE

The economic emigration of Poles to the richer countries of the European Union is a significant social problem. The data of the Central Statistical Office indicate that there were an additional 100 thousand citizens who left Poland in 2016, increasing the total number of Polish economic emigrants to 2.5 million. It is important to pay attention to the socio-demographic structure of people leaving Poland - half of them have higher education (23 percent of adults in Poland have higher education), the rest are people with secondary (mostly technical) education. It is a very serious drainage of personnel needed for Poland to further develop its economy.

The gap in the market is being fixed by the import of workers from Ukraine, but it involves specific costs and social risks. Ukrainians reduce wage pressure, which is slowing down the wage growth in Poland. This kind of the economic competition may become a starting point for increasing xenophobic attitudes among Poles (very similar process to this what happened in the UK, and ended with Brexit). Such attitudes are eagerly used by pro-Russian political groups, which would gladly fuel the Polish-Ukrainian hostility. On the other hand, if the Ukrainians are effectively discouraged from taking up work in Poland and choose migration to other EU countries, this will have consequences for the pace of growth of the Polish economy.

EXTERNAL THREATS AND THE EU

The United Right government has adopted a policy of broadening the scope of sovereignty over the institutions of the European Union. Assertiveness in contacts with the European Commission has led to escalation of tension between the Commission and the Polish government.

The main areas of the dispute are:

- environmental protection - the Białowieża Forest;
- the rule of law - changes in the Constitutional Court, common courts and planned changes in the Supreme Court and the National Judicial Council.

In the first area, the conflict is about divergent views on the massive cut of trees in the Białowieża Forest. In the beginning, this was largely a conflict of ideology, where the point of reference was the role of nature and the extent of acceptable human interference in the natural environment. At the present stage, however, this is a conflict over whether the institutions of the Polish state will submit to EU regulations and recognize the decisions of the Community institutions.

The second area also has ideological foundations and concerns the extent of the sovereignty of a Member State in respect to the formation of its own political and institutional system. However, this area gives less concrete grounds for action of the EU institutions than the case of Białowieża Forest.

The main risk for the Polish Government is worsening negotiating position on issues related to Poland's interests in the European Union. This is clearly visible in the legislation process of the directive on posted workers, the regulation which will come into effect in the parliamentary elections year 2019. In the future, these conflicts may work against Poland, for example in the negotiations on the distribution of the EU budget for 2021-2027.

SECTION D - POLITICAL STABILITY (PUBLIC SUPPORT, FUTURE EXPECTATIONS)

Despite conflicts and tensions, the political situation in Poland seems to be stable. The current government comes out of crises without a scratch. Even in the face of active protests related to changes in the judiciary, no significant decreases of support for ruling party were recorded, and its politicians still enjoy very good ratings and high social trust.

However, there were two situations in 2016 and 2017 in which the PiS and its government suffered losses (but managed to recover). The first is the "black protest" - mass demonstrations of women against the introduction of a total ban on abortion. The second was the spectacular failure of the government at the European Council, when the Polish side attempted to prevent the re-election of former Polish Prime Minister Donald Tusk as President of the European Council. It is important that, despite these periodic falls, the number of voters supporting PiS has never fallen below the last election result of this party in 2015.

However, PiS is heading for winning the next term, the result of next year's local elections may be surprising. According to the specifics of these elections, one should expect a lower PiS result than observed in the recent polls. There is also very risky conflict between President Andrzej Duda and the Minister of Justice Zbigniew Ziobro. Controversy over competences in the new, emerging institutional order has significantly slowed down the changes in the judiciary. It may be expected that further reforms in the country may result in similar problems which can significantly reduce the effectiveness of the current government reforms.

The threat to political stability may also emerge from a growing popularity of an already existing nationalist political movements that can build its position on the previously mentioned conflict between Polish and Ukrainian workers. At the moment, however, the risk of such a scenario is low and its probability will depend on the government's policy in this area.