

REPORT SYNTHESIS

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STATISM

the dead end



cost-benefit analysis
of statism

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Why now about statism?

“There is no better organism than the state for organising economic life”, said Prime Minister Mateusz Morawiecki during of the congresses. Do the coordinated interventionist actions of the government actually translate into the source of the power of the state and the economy? This report makes a critical analysis of the idea of statism.

The popularity of statism is growing again. Statism has a growing reputation both in the developed world and in developing countries. Also, the government of Prime Minister Mateusz Morawiecki suggests every now and then that it will succumb to the temptation of statism; previous periods of statism are mentioned with increasing tenderness as well as the successes they were supposed to be characterised by.

The Central Industrial District, for example, and other achievements of the Polish arms industry at the end of the 1930s are remembered with particular fondness. Statism is returning to mainstream debates due to disillusionment with globalised capitalism. This year’s pandemic also plays an important role as everything that had previously been considered economic orthodoxy seems is no longer valid. Intellectual ammunition for statism is provided by academics such as Mariana Mazzucato, Ha-Joon Chang, Justin Yifu-Lin, and Stephanie Kelton, supporting different varieties of interventionism. Historically, in their view, it has worked well as part of the pro-growth policies of countries such as the South Korea and Japan, but also in countries such as the US and the UK. The return to statist ideas comes after years of hiatus associated with the governments of Ronald Reagan, Margaret Thatcher, and Deng Xiaoping, who has actually deprived the Chinese communism of economic importance, pushing the country towards capitalism. The economic policies of the world powers at the time were based on thought drawn from Friedrich Hayek or Milton Friedman – and not statist.

This study is an attempt to look at European and Western lessons related to statism at the dawn of this growing popularity. We point out that these were usually bitter lessons. Statism would produce results which were different from those intended, and it only 'worked' within very narrow limits and in exceptional circumstances, mostly related to wars. This is not a sure and safe way to build power, but a risky strategy, which can unsettle the economy and reduce the growth dynamics.



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Introduction: the "achievements" and accomplishments of statism

As a result of joining the EU, Poland has undertaken to adopt the common currency. However, the date of accession to the monetary union has not been set yet, which means that the process can be postponed forever. The question is whether Polish governments should do so, or whether they should try to join the euro zone as soon as possible.

Both the supporters, and the opponents, of Poland's accession to the euro zone put forward many arguments in support of their arguments. In each of them there is a grain of truth, but equally convincing counter-arguments can be put forward against each point.

Since the debate on the adoption of the euro much too often disregards empirical evidence, our report focuses on a careful analysis of empirical material. It turns out that in both groups of EU countries (inside and outside the euro zone), we can find examples of fast-growing countries, as well as those experiencing serious economic problems. This means that the euro is neither a remedy for all difficulties nor a great insurmountable barrier to a country's development.

In other words: both sides attach too much importance to the EU and the euro issue, seeing the common currency either as the source of all economic evil, or as a significant pro-development instrument. Meanwhile, an appropriate economic policy implemented at national level is of fundamental importance for economic prosperity.

As neither theoretical nor empirical analysis provides strong evidence in favour of either adopting, or not adopting, the euro, it seems that the more sensible decision, from a risk management perspective, is to retain the national currency.

This does not mean, however, that the report recommends a continuation of the 'status quo' policy. While Poland may benefit from remaining outside the euro zone, especially given its imperfect format, we should remember that Poland, while joining the EU, has undertaken to pursue more sensible and pro-growth economic policies, including fiscal and monetary ones. In particular, the government should focus on sound public finances and on making the labour and product markets more flexible, in order to increase its competitiveness and resilience to external shocks. This would make the country better prepared for possible euro adoption in the future.

By not joining the euro zone, Poland would lose out on its political position. This could be compensated for with strong economic growth, but it seems, Poland is not doing it very sufficiently. In a nutshell, we are not making full use of our independence. This may result in a situation where we would join the euro not so well prepared, as we could be.

Conclusions

STATISM DANGERS:

- a) It is a “shortcut”. Such an attempt at accelerated imitation of the economic development of the center, through the state-funded transformation of the economy, as a rule, is not only costly but also economically inefficient. It also almost always fails to produce the expected results.
- b) Public ownership is generally less well managed, influenced by the negative selection of managers (lower salaries, poorer image), susceptibility to political influence, and sensitivity to social pressure. Measures to commercialize the activities of state-owned enterprises reduce the impact of these negative effects, but not fully.
- c) Competition between the private and public sectors is not on a level playing field. The state, while becoming an entrepreneur, at the same time retains its traditional functions related to, among others, making and enforcing laws.
- d) The costs of fiscal expansion are socialized throughout the entire society, the benefits are local. The promise of social, universal benefits is rarely achieved. Moreover, so is the intergenerational distribution of the costs and benefits of fiscal expansion, especially if it is financed by debt. Insofar as the benefits of fiscal expansion are short-term rather than long-term, the costs are always socialized intergenerationally over the long term.

STATISM OPPORTUNITIES:

- a) Development of some areas of the economy, especially infrastructure development, is costly. Under purely market conditions, infrastructure (roads, railroads, energy transmission, energy resources) often remains underdeveloped or underfunded.
- b) It is a “shortcut” — for the second time. Statist modernization associated with the concentration of capital investment gives hope for rapid catching up with developed countries.
- c) Statist policies can work during crises, although the benefits of statist/over-interventionist solutions are generally short-lived.

ARTWORK:
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FONTS USED:
ARYA, ARCHIVO, NOTO SERIF



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