Zeszyty Naukowe
Wyższej Szkoły Bankowej w Poznaniu
2016, t. 68, nr 3

Elżbieta Mączyńska

Warsaw School of Economics
Polish Economic Society
e-mail: elzbieta.maczynska@gmail.com
phone (48) 22 551 54 01

Surplus economy versus inclusive economy

Abstract. *The paper sets out from an assumption that, in a market economy, the fundamental growth barrier is that of demand. This results in a number of disproportions in socio-economic development, including waste stemming from the surplus economy model that is specific to highly developed countries. Surplus economy is characterized by a mismatch between the supply of goods and services and the demand for them. The key proposition put for the in the paper is that of the possibility to address the surplus economy syndrome by pro-inclusive transformations of the socio-economic system. In discussing the issue, it is suggested that inclusiveness is a value per se, while the inclusiveness of a socio-economic system is a crucial precondition of sustainable, harmonious development. Inclusiveness is here understood as a mechanism/system capable of constraining the waste of material resources and human capital. Putting such a system in place stands for a transition from surplus economy to modest economy. An inclusive socio-economic system is one oriented on optimizing the utilization of production capacity and bridging the gap between actual and potential economic growth and social development. The paper outlines the key elements of such a system. The issues are discussed from the perspective of Poland. The paper is based on statistical analyses and studies of subject literature.*

Keywords: *inclusive economy, surplus economy, modest economy, social exclusion, income inequalities, socio-economic system*

Introduction

Observable asymmetries, nonadjustments and adverse dichotomies are common enough in present-day market economies to encourage reflection on how the underlying economic model could be best optimized. Similar thoughts are provoked by

numerous barriers to sustainable socio-economic growth that continue to crop up. They are becoming increasingly visible even in the most affluent countries of the world. Given the contagion syndrome, so characteristic of a globalized economy, anomalies and incongruities that are initially found in a single country are sure to immediately spread to other locations around the earth and thus swell into global issues.

One of the key asymmetries troubling the modern world is that of a mismatch between the dynamics and volume of supply – of both products and services – and the demand for them. As a result of technology advances that push up production capacities, demand deficit will clash with a skyrocketing supply of goods. This leads to overproduction and market glut, having massive undesirable effects such as declining employment and investment levels, debilitating competition, omnipresent annoying commercials, an ever expanding culture of consumption, looming climatic change, etc. In consequence, many countries experience the ills of surplus economy, manifest in an oversupply of available goods and services and an overuse of all sorts of resources. Among the most ignoble examples is the amount of food wasted in wealthy countries while at the same time there are so many areas of starvation in other parts of the world. The ills of surplus economy are just as well illustrated by nonadjustments, not to say dichotomies, in the job market, such as the fact that, in a number of countries, certain social groups work excessively hard and are overworked – a phenomenon that is detrimental both in social and economic terms – while others are jobless. Growing social inequalities are another form of developmental asymmetry, recently focusing a lot of attention in many countries. Their negative socio-economic impact is manifold and has been discussed at length in subject literature. Among the downsides, the most dangerous one is (as has already been mentioned) that associated with the increasing demand barrier whereby demand cannot catch up with the supply of goods and services. These observations are absolutely true about Poland, too. Alongside unquestionable economic achievements that it has made since the launch of its socio-economic system transformation (i.e. since 1989), Poland has also been severely affected by adverse phenomena stemming from a variety of social and economic asymmetries. Notwithstanding its relatively strong economic growth (when compared to eurozone states, especially) – with a robust GDP (gross domestic product) growing at a rate of nearly 3.5-4% – the country is clearly facing barriers to sustainable development.

The papers aims to capture the principal symptoms and causes of the asymmetries observed in socio-economic development around the globe. In addition, the author seeks to identify viable solutions as well as ways to prevent them from arising. It is assumed in the article that the problem cannot be prevented or mitigated unless a new approach, or philosophy, is adopted, offering a pro-inclusive agenda for the design of socio-economic reality, on which sustainable and harmonious socio-economic development is conditional. As a key precondition, growth must be inclusive, where "inclusive" denotes effectively aligning and reconcil-

ing social, economic and environmental goals while at the same time optimizing the utilization of socio-economic potential. Hence economic growth, viz. GDP growth, appears not as a goal in itself, but as one of three tiers (besides social progress and environmentalism) of socio-economic development.[1] Arguably, a harmonious development agenda must be at once broadly inclusive, providing a mechanism to make sure that wastage of material resources and human capital is brought down to a minimum. This entails moving away from surplus economy – currently pursued by highly developed countries – toward modest economy. An inclusive socio-economic system is one oriented on optimizing the use of productive potential and bridging the gap between what levels of economic growth and social advancement could be attained and the level that is actually being achieved.

That the issue is highly relevant and should be addressed by scholars is demonstrated by e.g. the increasing risk incurred by the so called secular (i.e. lasting) stagnation – a syndrome whose presence has become discernible in the developed economies of the West. The ongoing discussion was initiated in the US in 2013 by Lawrence Summers ("New Secular Stagnation Hypothesis") [Summers 2014: 27-41].

In this paper, discourse is predominantly centered on Poland, notably where it perfectly embodies issues being tackled. However, international comparative studies show that the author arrives at propositions and conclusions that will apply to most other countries suffering from similar dysfunctions.

The paper draws primarily on domestic and international literature. Many of the opinions and conclusions presented in the paper are based on hermeneutics and underpinned by analyses of statistical data[2] or supported by the findings of a research program conducted at the Warsaw School of Economics over the past several years and focusing on business bankruptcy and debt (chiefly unrecoverable debt).[3] The study involves a blend of macroeconomic and macroeconomic analysis and seems to have revealed, very much like an optical lens would, weaknesses that could be regarded as major threats to the country's socio-economic development. While it is true that Poland has a relatively rich development potential, there exist strong barriers to its effective exploitation, implied by the presence of symptoms of antinomic drift – a phenomenon that is receives treatment further

[1] That this three-tiered equilibrium is essential to socio-economic prosperity is emphasized in e.g. Wünsche 2015.

[2] The use of statistics is minimized throughout the paper for the following reasons: 1) as they abundant in literature on the subject, 2) since they only remain up-to-date and relevant for a limited period of time, 3) in an effort to comply with the applicable paper size restrictions and, most importantly, 4) because emphasis is placed on the qualitative rather than the quantitative aspect of the issues being investigated.

[3] The article was developed as part of the research project "Assessment of the effective protection for creditor rights in Poland in 2004-2012 – transaction costs incurred in enforcing contractual rights", funded under National Science Center grant no. UMO-2013/09/B/HS4/03605; cf. e.g. *Biuletyn PTE* 2015, No. 1. Retrieved from: www.pte.pl/223_biuletyny_pte.html [20.02.2016].

in this paper. This diagnosis is not undermined by Poland's relatively high GDP growth vis-à-vis other European Union member states.

By describing the dangers of lasting stagnation, the paper highlights the need to redefine socio-economic policy and look for new development patterns. The critical part of the agenda is to reorient economies toward inclusiveness and a more rational job market, putting them on a track toward reducing unemployment as one of the most appalling forms of wastefulness.

1. Poland – its economic achievements and asymmetries of socio-economic growth

1.1. The successful transformation

The year 2016 marks the 27th anniversary of the restoration of free market economy in Poland. The political and economic transition that was initiated in 1989, taking the country from a centrally planned socialist economy to a free market based regime, gave the nation a powerful stimulus to dynamize economic activity. Its dynamism was further, and significantly so, reinforced by Poland's accession into the European Union in 2004 and the EU financial assistance that came along with it. Until now, EU budget has already fed Poland more than 60 bn euro. Preparations are underway to absorb a further 82.5 bn euro that has been allocated to Poland in the Cohesion Policy budget for 2014-2020. Poland is among the group of member states whose all operating programs have been approved by the European Commission, which entitles a country to accessing the money [Rada Ministrów 2015: 9]. As a matter of fact, EU funding gave the transforming Poland a head start, creating a unique opportunity to accelerate its civilization advances and reduce barriers to growth.

At the moment, with a population of nearly 38 million, Poland is among the largest EU member states in Central and Eastern Europe. In terms of population, it ranks 34th worldwide and 8th in Europe. In terms of GDP, it is the 23rd biggest economy in the world and the 7th biggest among EU member states (the top six includes Germany, the United Kingdom, France, Italy, Spain, and the Netherlands). In 2014, Poland's GDP was little short of 545 bn US dollars, which means that it more than doubled over the transition period. In that same year, its GDP per capita stood at over 11,305 US dollars or 24,000 US dollars at purchasing power parity (PPP). Today, its PPP-adjusted GDP represents 70% of the EU-28 average, compared to 33% in 1989.[4] The government presumes that the ratio will continue to improve, reaching 76% in 2018.[5]

[4] It must be allowed that, due to EU enlargements, these periods are not fully comparable. Cf. *Poland. Economic Indicators, 2016*. Retreived from: www.tradingeconomics.com/poland/indicators [20.02.2016].

[5] Ibidem, p. 71.

The success of Poland's transformation is reflected in a 2013 World Bank report.[6] The report's author Marcin Piątkowski contends that Polish achievements could be, with a bit of luck, perceived as an economic miracle. This is because Poland has never before performed so well in terms of income or quality of life. [Piątkowski 2015]. Enthusiastic judgments were voiced by "The Economist" on the 25th anniversary of Poland's systemic transformation. The prestigious British weekly asserts that the country has entered its second golden age (the first one being the 16th century Jagiellonian era). It will do to look at the titles given by "The Economist" to its special Poland report: "Poland's new golden age"; "The second Jagiellonian age"; "Europe's unlikely star."[7] These opinions are supported by a wide array of macro- and microeconomic statistics.[8]

Poland's success has been recognized by a number of rankings, such as competitiveness rankings, "Doing Business", etc. Poland's improving performance has been noticed e.g. by the annual SEDA ("The Sustainable Economic Development Assessment") ranking published by the Boston Consulting Group (BCG).[9] Flawed as they happen to be methodologically, rankings do have, admittedly, some merit as a source of information. In terms of quality of life, for example, the 2015 BCG report gave Poland 31st place among the 149 countries included in the ranking. It also is underscored that Poland has made substantial progress in education that places it among Europe's champions.[10] In the "Doing Business 2016" ranking, covering 189 countries, Poland climbed from 28th to 25th place (under prior methodology, it would have gone up 7 places, from 32nd to 25th) [The World Bank 2016].

Although, following the recent change in power and the new incumbents' undisguised Euroscepticism and reluctant immigration policy, Poland has recently

---

[6] "Poland's performance in the last quarter of a century has been not much short of a miracle. As a result, Poles never had it so good before in terms of the level of income and quality of life" [Piątkowski 2013].

[7] *Special report: Poland. Poland's new golden age: The second Jagiellonian age*, "The Economist", June 28th, 2014; *Poland's second golden age: Europe's unlikely star*, "The Economist", June 28th, 2014. *The Economist* claims that "German-Polish ties have become arguably the second most important bilateral relationship in the EU, after the Franco-German axis."

[8] Since the statistics are publicly available, and there is a limit on the paper's length, they are not quoted here unless absolutely necessary.

[9] "In the overall ranking evaluating the quality of life in 149 countries around the world, Poland ranked 31st. The country ranks higher than regional peers Slovakia and Lithuania, but lower than Estonia, the Czech Republic and Slovenia" [Beal et al. 2015]; cf. also *Poland 'top performer'…*, 2015. The SEDA ranking measures well-being by computing indicators for three main areas of socio-economic performance: 1) Economics, which includes income, economic stability, and employment; 2) Investments, which includes education, health, and infrastructure; 3) Sustainability, which includes income equality, civil society, governance and environment.

[10] "Under the education dimension of SEDA, Poland got a score of 90 (the best country gets 100, and the worst zero). This was higher than the western European average of 82 and Britain's 74" [*Poland outperforms…*, 2015].

been drawing domestic and international criticism, the high estimates of the country's growth potential remain valid.

It is remarkable that many of those studying the Polish transformation process will give much attention to its historical origins and backdrop. For example, British economic sociologist Gavin Rae insists that "Poland wasn't anything like a Wild East country that could not be tamed otherwise but through an investment drip-feed from the West." [Woś 2015; Rae 2015]. He highlights the key role of Poland's pre-transformation resources including its "infrastructural base, industry, high employment rate, efficient pension system, free education, and free healthcare. These made up the capital that enabled Poland to smoothly transit to capitalism as soon as the political situation permitted" [Woś 2015: A27].

Poland's successful transformation should therefore be seen as having been underpinned by the quality and magnitude of its former socio-economic potential. Demonstrably, the country's socio-economic success has been founded on the following [Mączyńska 2013]:

1. Large market potential and ever increasing domestic demand generated by its nearly-38 million population.

2. The growing rate of schooling and the growing percentage of population with tertiary education, which typically has a positive effect on productivity and social mobility. Over the past 25 years, tertiary education attainment has increased nearly fivefold – from 12.9% in the academic year 1990-91 to 57.2% in 2014-15 [GUS 2015: 344]. In terms of schooling, Poland is currently among Europe's best, which definitely strengthens its competitiveness and its position in the market.

3. The Polish people's historically determined flexibility and creativity (a capability of responding ad hoc to new circumstances is often attributed to Poles) enabling them to efficiently handle all sorts of dangers and instantly adapt to change; this corresponds to being open to new trends, increasing their ability to capitalize on opportunities arising from the "civilization leap" and the new emergent economic model featuring a virtual economy component (Wikinomics).

4. Intensified infrastructural development (partly owing to EU funding support) that stands for investment multipliers, providing additional GDP growth stimuli and thus influencing national wealth.

5. Multiplier effects that can be engendered by continued growth of the home construction industry (being underdeveloped, the industry is likely to grow to meet Poles' heightened aspirations in regard of living standard, which is indicative of prospective demand for new homes). In the future, the industry could therefore become the country's another economic flywheel.

6. Poland's centric geographic location provides specific economic advantages, encouraging the inflow of foreign investments and making it an attractive site for the headquarters of international companies, information centers, etc.

7. The country's rich climatic and natural resources, including energy sources, with a view to their further expansion or the development of renewable ones.

8. Cultural factors stemming from Poland's historical record of cultural prominence in Europe and worldwide.

9. The potential inherent in Poland's tourism assets, making the country an increasingly attractive tourist destination (as a result of the country's economic advances as well as of climatic change). Since Poland's assets are far from being fully utilized, tourism seems to have enough growth potential to emerge as an important economy sector.

10. There is a benefit to be derived from underdevelopment that is believed to enable a country to make a so called "frog leap," rising to higher levels of advancement in certain areas while omitting the intermediate steps that an economy would normally go through in the past before it became highly developed.

However, the country's growth potential, constituted by the factors listed above, is not being exploited the way it could be, and a sizeable portion of it is merely wasted. The causes are not all of economic nature – some of them originate in culture, and many are attributable to institutional deficiencies. To make things worse, there are negative synergies and feedback loops between them, resulting in Gordian knots and a variety of developmental asymmetries.[11]

1.2. Socio-economic asymmetries and the antinomic drift

Poland's prospects for sustainable and harmonious socio-economic growth are contingent on whether and how the sources of its potential, notably of its **own** potential, will be used. It will be even more important as the positive effects of EU funding support, a transient factor that is now distorting the picture of Poland's economic performance, gradually cease to bear after 2020. Therefore, it is fundamental to identify all obstacles to optimal utilization of the country's existing capacities, investigate their origin, and propose ways and tools to remove, or at least reduce, them. These barriers are numerous and varied. Below are listed the ones that the author perceives as crucial at this point in time. These are as follows:

1. Worsening demographics (a low birth rate, declining population in productive age, and a growing proportion of persons in post-productive age).

2. A relatively high rate of unemployment, which is closely linked to social exclusion.

[11] A more in-depth treatment would be beyond the scope of this article. A comprehensive discussion is provided in a special report by J. Żakowski [Żakowski (ed.), 2015]. Hence, all that the author deems appropriate to offer in this paper is an enumerative overview.

3. Relatively low wages and salaries, bearing negatively on innovative capacity and constraining the growth of market demand.

4. Large income differentials and widening wealth inequalities.

5. An inefficient law making and law enforcement mechanism, with underdeveloped judicature and lengthy court proceedings, including business cases. (Legislation is too complex and subject to frequent change, which results in the inflation and "dilution" of law.)

6. An over-complicated, non-transparent and inefficient tax system. In its current form, it does not properly fulfill any of the fundamental functions of tax, whether fiscal, redistributive or growth-promoting. It is not only expensive to run, but it also encourages tax avoidance and evasion, as well as criminal practices, e.g. carousel fraud or VAT theft.

7. Deficiencies of labor law that have brought about a backslide to some of the 19th century forms of capitalism or even, in extreme cases, to master-servant relationships.

8. Increasing public debt, with government budget deficit approaching the 3% ceiling allowed by the EU. This thwarts efforts to reduce unemployment and address demographic issues threatening to enlarge spending on old-age and disability pensions or healthcare.

9. Dysfunctions of democracy and the adverse economic effects of the election cycle, associated with priority given to short-term election-time goals over long-term objectives. As a result, the culture of strategic thinking is marginalized, impinging on pro-growth and pro-inclusive investment that thrives on longer time frames.

10. Erosion of trust and rampant anomie, standing for chaos and discrepancies in the system of values, with increasingly vague or deregulated norms. It results in growing uncertainty and loss of moral guidance, causing difficulty for individuals in discriminating between good and evil, between what is and what is not acceptable in pursuing one's objectives, between values and anti-values [Mączyńska 2014a].

This decalogue of a sort certainly does not include all relevant barriers, nor does it account for negative synergies and feedback loops between them. Such synergies are both the cause and the effect of asymmetries observed in Poland's socio-economic development, as well as of the so called antinomic drift. It is the drift that makes Poland appear progressive and backward at the same time, moving forward and lagging behind simultaneously.[12] Almost every factor favorable to Poland's growth potential is counterweighted by an inhibiting factor, as if there were the other, dark side in each case – hence the antinomic drift is much like Tobin's grain of sand thrown in the wheels of economy [Tobin 1978: 153-159].

[12] An extensive treatment can be found in: Mączyńska 2015.

The antinomic drift manifests itself is lots of ways, so examples could be many.[13] Only one of them will be brought up here, yet it is one of critical impact on Poland as well as on other countries. The example relates to demographics. With its population of 38 million, Poland represents a relatively large market potential, since a population this size creates considerable domestic demand, being a fundamental GDP growth factor. On the other hand, the rate of unemployment is relatively high (albeit decreasing – from above 10% to some 9% just recently). This condition is coupled with serious demographic hazards: population ageing and depopulation trends. Regrettably, Poland has one of Europe's lowest fertility rates (corresponding to the average number of children that would be born to a woman over her lifetime). For a number of years, the rate has been oscillating between 1.2 and 1.3, while it should not be lower than 2.1 just to maintain the current population size. Poland's demographic situation is further complicated by rising emigration. There are forecasts estimating that the population of Poland might shrink by some 4.5 million by 2050 [GUS 2014].

Development barriers posed by these phenomena are hard to overcome. The gravest of those is the demand barrier that encumbers economic growth, impacting on employment and wage figures. Low wages de-motivate workforce, impeding innovation. Sluggish innovation, in turn, hinders the growth of exports or forces a country to export at minimal profit margins. All these factors, concerted in negative synergy, form an anti-innovation ecosphere and create a sort of vicious circle. It is all the more difficult to break away from the circle in face of looming deflation processes, decreasing interest rates, and a liquidity trap syndrome, which is a situation where businesses refrain from making investments despite increasing cash holdings.

That Poland does encounter demand barriers is admitted by government officials. A recent government publication emphasizes that "Poland's economy continues to be characterized by an excess of supply over demand. Overall, in 2012-14 the business cycle contraction, as indicated by the output gap, nearly doubled that observed in 2009-10" [GUS 2014: 13]. Government projections anticipate that "despite the relatively rapid pace of GDP growth (3.6% in 2015 and 3.3% in 2014 vs. 1.3% in 2013) in 2013-2015, the output gap continued in the negative, arriving at –0.2% of potential output in 2015. However, its gradual shrinkage over recent years signifies an upcoming positive cyclical trend conducive to economic activity" [Rada Ministrów 2016: 10-11].

Demand barriers are the triggers of surplus economy. When discussing the issue in his seminal book, Janos Kornai comments that "[T]hose who say that consumer sovereignty prevails in a surplus economy (or, more broadly speaking, in a market economy) are exaggerating" [Kornai 2013: 127]. This is because pro-

[13] More on this issue in: Mączyńska 2015.

ducers, in striving to boost demand, will manipulate consumers. "There is excess supply of these – values and junk alike" [Kornai 2013: 131]. Kornai describes surplus economy in terms of "domination" and "subordination." A similar approach is lacking in mainstream economic theory. Grzegorz W. Kołodko, a Polish scholar reputed for his criticism of mainstream economics, postulates the adoption of a "new paradigm" in economics and advocates transition to what he refers to as "moderate economy," i.e. one that would not downplay social issues in favor of generating profits. At the same time, Kołodko argues that "an economy deprived of a system of ethical and moral values is like living a life devoid of meaning" [Kołodko 2013: 23-64]. It is in this context that Kołodko investigates the rationale for the so called post-GDP socio-economic development model as an alternative and remedy for the extravagance of the wasteful surplus economy. Other concepts that are put forth and explored in subject literature include the de-growth theory and a number of theories aiming to contain the wasteful system's "bulimia" [Rist 2015: 189 and onward p. 197].

Poland's dichotomous job market certainly does not help eliminate the demand barriers: on the one hand, the unemployment rate is rather high, and on the other, those in employment are overworked. OECD research and Eurostat data show that in 2012 an average Polish employee worked 3.5 hours longer than employees in EU-15 (i.e. old EU member states) and 2.5 hours longer than the EU-wide average [Arak 2015]. Poland's labor market suffers from a dichotomy that is reflected in a two-digit unemployment rate persisting throughout the transformation period alongside a lack of balance between work and leisure. Overwork going hand in hand with professional inactivity has a negative effect on social capital, including family life and demographics. Fatigue stemming from overwork bears adversely on employee motivation and opportunities for skill enhancement. This curtails productivity and is likely to lead to the prevalence of routine-based work, hampering the creative capacity being a key driver of innovation and sustainable growth, since creativity can only flourish where there is sufficient time for leisure [Żakowski (ed.), 2015: 68-69].

The asymmetries in Poland's job market have brought the attention of the European Commission, raising concerns about permanent employment contracts being replaced by short-term job contracts, resulting in excessive segmentation of the labor market and adversely affecting the quality of employment. Poland is among the heaviest and notorious users of short-term employment contracts in Europe. To make things worse, the conversion ratio of fixed-term contracts into permanent contracts is low (20%). At the same time, the average wage differential between those employed on a permanent basis and those employed temporarily is the highest across the EU (36.8% in 2010). Further, as much as 66.8% of workforce serving under fixed-term contracts are unable to find permanent employment. As a consequence, long-term unemployment is on the rise. In 2013, 42.5%

of jobless Poles had been out of work for more than a year (compared with 30% in 2008-2009).[14]

In its current condition, Poland's job market cannot support efforts to counteract poverty and social exclusion, which has also been noticed by the European Commission. The Commission stresses that Poland's expenditure on social security, equaling 18.1% of GDP, is much below the EU average (29.5%). The contribution of social transfers to poverty alleviation has been deteriorating for several consecutive years, and was 10 percentage points lower than the EU average in 2013. Hence, the proportion of population at risk of poverty or social exclusion remains above the EU average, even if it has dropped significantly over recent years – from 30.5% in 2008 to 25.8% in 2013 [*Country Report...* 2015: 22]. A survey of household income and spending conducted by the Central Statistical Office (GUS) shows that in 2014, despite overall improvement, "around 43% of household members lived below the official minimum subsistence level defined as the lowest reasonable living standard" [GUS 2016: 5]. Its should be kept in mind, however, that the minimum subsistence level is not identical with the poverty line but that it corresponds to an income level below which an individual is deprived of social integrative needs, such as e.g. participation in cultural and educational activities.

The unfavorable social conditions are reflected in wealth distribution and income inequalities. According to a National Bank of Poland [NBP] study, 10% of the most affluent households in Poland own 37% of total net wealth while assets held by the 20% lowest-income families represent only 1.0% of all wealth owned by Polish households. It should be noted, too, that wealth inequalities are greater than income inequalities (like in most other countries, to be sure), as indicated by respective Gini coefficients – 57.9% for net wealth, compared with 38.4% for net income [NBP 2005: 7].

[14] *Country Report…*, 2015: 17-21. The following opinion was endorsed in the European Commission's official position: "Labour market segmentation persists in Poland. The incidence of temporary contracts is the highest in the Union, while the transition rate from temporary to permanent employment is low and the wage differential the highest in the Union. Rigid dismissal provisions, long judicial proceedings and other burdens placed on employers encourage the use of fixed-term and non-standard employment contracts. Furthermore, the perceived high cost of contracts covered by the Labour Code leads to excessive use of civil law contracts (*umowy cywilnoprawne*), which are attractive to employers due to the associated lower social security contributions. The high proportion of contracts of this type, i.e. associated with lower contributions, may, however, reduce the quality of employment available, especially for young workers. Youth unemployment is high, partly as a result of the mismatch between candidates' qualifications and skills, on the one hand, and labour market needs, on the other. Continued efforts are therefore needed to reform the system of vocational education and training and to increase the low level of participation in lifelong learning. Female labour market participation remains low. In order to address this issue, Poland has increased the availability of pre-school education, but still ranks among the poorest-performing Member States for the availability of early childcare services" [*Council Recommendation…* 2015].

2. The need for a new paradigm and new socio-economic priorities. Inclusiveness

The factual data presented in the preceding chapters seem to capture a dichotomous nature of Poland's economic transition. The unquestionable achievements in mobilizing economic growth are offset by misconceptions and failures in social policy, including a weak response to demographics challenges. Staggering demographics, unemployment, social exclusion, and an anti-innovation economic growth model based on low wages are just a few of the major reasons why so much of Poland's growth potential has been has been trickling away so far and why the country's sustainable and harmonious socio-economic development might be compromised in the long-run. Social transfers are relatively low in Poland, being checked by budgetary constraints. This has a negative effect on demographics, with a backlash on government revenues and the condition of public finances. As a result, the country is trapped in a vicious circle that cannot be escaped unless different socio-economic policy patterns are applied. Throughout the transformation period, Poland has relied on an economic growth model based on cheap workforce. This reliance originates in a neoliberal tenet that has long prevailed in economic theory, giving preference to economic growth over social ails and leaving the latter to be resolved by free market mechanisms. The truth is that the decades of dominance that neoliberal doctrine has exercised over Western economies have begotten what could be termed as theoretical monism, anchored in an uncritical adoption of the central proposition of neoclassical economics that the market is infallible and superbly effective in informing decisions and that it thus provides a sound basis for making economic choices, including those that involve social issues. Although the global financial crunch of the 2000s challenged that belief in a fairly spectacular manner, not many of the lessons have so far been learned and implemented.

A considerable proportion of the barriers to socio-economic growth cataloged (*de*caloged, in fact) in the paper can certainly be found outside Poland, too. Nearly all highly developed economies are affected by demographic problems. A lot of countries struggle with unemployment and government budget deficit. Social exclusion and glaring differences in income and wealth are among the toughest challenges faced by many societies these days. Growing inequalities are known to pose a barrier to economic growth. The price that has to be paid for inequalities is therefore high, which has been forcefully demonstrated by multiple studies [cf. e.g. Stiglitz 2013].

Demographic problems and increasing social inequalities might set a country on a path toward the middle income trap and toward secular stagnation – a danger that has already become apparent in some of the more affluent countries, includ-

ing the United States [Summers 2014: 27-41 and 2013; as well as Hansen 1938 and 1939; cf. also Mączyńska 2015]. The risk of secular stagnation is associated in these countries with zero or negative interest rates and a general tendency to accumulate, rather than invest, liquid cash holdings. This condition substantially lowers the likelihood of an investment boom and a stimulating interest rate liftoff. As a result, these countries experience a widening productivity gap, i.e. the difference between potential and actual output (GDP).

These challenges call for the development of a new pattern and a new basis for making economic and social decisions. The pattern should be inclusive and built around social cohesion as the top public priority and the principal driver of growth, while chrematism (i.e. getting rich) is regarded as a result, not an end. So designed, the pattern would be consistent with the requirements of the knowledge era, unlocking human capital, strengthening social capital, facilitating the optimal use of growth capacities, and at the same time promoting innovation and making long-term development both more harmonious and more effective.

There is good grounds for adopting an inclusive growth model drawing on the experiences of other countries. International comparisons show that countries with more inclusive socio-economic systems and balanced socio-economic policy (e.g. in regard of the labor market) are more immune to threats and crises. Their resilience stems from a better use of human capital, since in such systems growth arises from their ability to integrate competences and thus advance innovation. In the 2015 Innovation Union Scoreboard assessment published by the European Union, the top five places among EU-28 were taken by: Sweden (first), Germany, Finland, Denmark, and the Netherlands [European Union 2015]. At the same time, four of these five countries – Sweden, Denmark, Finland, and the Netherlands – topped the EU Social Justice Index ranking. The latter ranking is a kind of benchmarking and monitoring instrument for social inclusion across the EU, covering such areas as poverty prevention, equitable education, labor market access, health care, social cohesion and non-discrimination, and inter-generational justice [Schraad-Tischler 2015].

The ranking results provide strong evidence of the positive influence that prominence given to social inclusion has on innovation. Conversely, the failure to implement a consistent pro-inclusive policy has negative consequences, such as "social outsiderism," attenuating social capital, hindering innovation and, in the long run, reducing the odds of economic prosperity [Żakowski (ed.), 2015: 66-67]. This has been attested by a number of studies, including those recently conducted by IMF analysts [Ostry et al. 2014; Jaumotte, Buitron 2015]. Even earlier than that is Joseph Stiglitz's allegation that inequalities are among the key reasons why so much of growth potential is wasted. At the same time, income inequalities have an adverse effect on government budget by inflating public debt and thus making countries more and more dependent on capital providers [Stiglitz 2013].

In addition, the above-mentioned studies point out that participatory management, whereby employees are empowered to take part in organizational decision making, to rationalizing management decisions and benefits the performance of an organization.

Comparative analyses and rankings demonstrate that a paradigm that downplays inclusion and overrates competition and performance at the expense of safety leads to the emergence of a civilization of clash and a culture of unrelenting aggression inhabited by a cheating society, troubled by exclusion, self-exclusion, passivity, and increasing uncertainty, showing a propensity for confrontation and bitter criticism toward others only to conceal and suppress one's own sense of insecurity. What these phenomena have in common is that they are likely to weaken a society's ability to cooperate, an ability that is critical to growth driven by innovation – innovation conceived broadly as implementing positive changes [Żakowski (ed.), 2015].

The socio-economic dysfunctions that are observable in Poland as well as in other countries affected by growing social inequalities and social exclusion indicate the need for a change of socio-economic policy paradigm involving the adoption of broad social inclusiveness as a developmental concern of utmost priority.

Social inclusion is defined as building social cohesion through the involvement of all actors in socio-economic activity at many levels in an effort to forge and best use a society's growth potential and to prevent its waste. The opposite of inclusion is social exclusion. Exclusion is embodied chiefly by the presence of areas of poverty and unemployment. Social inclusiveness is all the more important as effective demand becomes a key barrier to the growth of modern economies. Insufficient demand collides with rapidly increasing production capacities spurred by technology advances, which results in overproduction of goods and services, having such negative effects as job losses, decreasing investments, cut-throat competition, and other vicious-circle type of phenomena. To break the deadlock, a new underlying philosophy and a new blueprint for the design of socio-economic reality is necessary.

3. Social inclusion as a priority and a precondition for sustainable and balanced development

Inclusion is a value in itself. In the paper, however, it is seen primarily as an engine of innovativeness, competitiveness and effectiveness, all of which contribute to bettering the quality of peoples' lives. An inclusive system unlocks and fuels creativity and entrepreneurship by strengthening social ties based on a shared sense of safety, trust and interest. An inclusive economy is one founded on the participation of the largest possible number of reasonably autonomous and equal

actors bonded together by partnership and interdependence rather than hierarchy and subordination governing the relations between state, citizenry and business and social groups.

Every instance of exclusion hampers growth, because it reduces a society's ability to profit on knowledge. In today's knowledge society the ability to generate, accumulate, process, and disseminate knowledge is becoming a major growth driver. There is more and more robust evidence that the inclusiveness of a socio-economic system is an essential precondition of harmonious development, while social exclusion (i.e. excessive inequalities) and systemic non-inclusiveness will compromise growth and cause crises. Exclusion originates, more than in anything else, in the deficiencies of a country's institutional framework, notably of the social and economic mechanisms that are in place.

Convincing evidence comes from abundant research, such as e.g. the findings of studies by Daron Acemoglu and James A. Robinson. These two authors have examined the question of why some countries are rich and others are poor. The conclusion is that prosperity and poverty are not conditional on such factors as culture, climate, geographical location, or ignorance of what the right policies are. None of these is, in the researchers' opinion, a crucial determinant of a country's development trajectory. The answer that they give to the question of what differentiates winners from losers and rich from poor countries is: "institutions, institutions, institutions." The most common reason why nations fail today is that they have extractive rather than inclusive institutions [Acemoglu, Robinson 2012; Mączyńska (ed.) 2014b; *Jakość prawa…* 2015; Lissowska 2008]. "Nations fail – Acemoglu and Robinson argue – because their extractive economic institutions do not create the incentives needed for people to save, invest, and innovate. Extractive **political** [emphasis by E.M.] institutions support these economic institutions by cementing the power of those who benefit from the extraction" [Acemoglu, Robinson 2012: 372]. The question remains to be answered, rhetorical as it well may be, whether such institutions exist or existed in Poland.

The fundamental components of an inclusive socio-economic system are the following [Żakowski (ed.), 2015: 117-134]:

1. **Institutions of social inclusion**, understood as civilization advances, oriented on development and on reinforcing the advances. They are construed here as regulations concerning such areas as social insurance, healthcare, popular access to education, guaranteed minimum wage, labor union and equality rights, public goods, etc.

2. **Inclusive businesses**, oriented on optimizing the absorption of knowledge, furthering innovation, and ensuring an efficient interplay of employee and employer interests with social values.

3. **An inclusive market**, i.e. a market that is characterized by optimal and socially accepted entry and exit rules, and one that is perceived as warranting

a certain culture of interaction between buyers and sellers, establishing symmetry between the parties' rights, and providing protections for competition rules and consumer rights.

4. **Inclusive government, inclusive law and inclusive local administration** – to ensure a level playing field and a rule of law, to provide support for creativity, innovation, and the development of pro-inclusive institutions, and to serve as safeguards preventing the emergence of extractive institutions and inequality in the administration of justice.

In Poland, in each of these domains there are areas that need to be addressed with pro-inclusive solutions. Institutional ineffectiveness in these and other areas is illustrated by research findings [Balcerzak, Pietrzak 2015]. In each of the four domains, it is possible to identify counter-development and anti-innovative "extractive institutions."

It is necessary therefore to eliminate, or at least neutralize, these and replace them with pro-inclusive ones. This entails transforming the entire system of interlaced and mutually dependent institutions composed of the state, the society, the businesses, and the market.

Whatever solutions are applied to the four components of an inclusive system, they must be suited to each country's specific conditions. In Poland, for example, these would include e.g. the introduction of an official minimum hourly rate, rationalization of the job market, increasing unionization and social involvement, particularly employee participation, and solutions aimed at consolidating democracy and promoting citizen activism. It is beyond the scope of this article to enumerate and describe the recommended pro-inclusive concepts in full detail. The proposed directions of reforms and transformations covering the fours areas are outlined in the report entitled *Reforma kulturowa 2020-2030-2040 [Cultural Reform 2020-2030-2040]* [Żakowski (ed.), 2015: 117-135 and onward].

In lieu of conclusion

In one of his drawings, Polish cartoonist Andrzej Mleczko depicted a troubled God carrying a globe and walking along a path marked with a sign saying "Service Shop." This is an elliptical evaluation of the condition that the world is in today: in need of repair, wanting anti-consumerist and anti-bulimia treatment, awaiting recovery from excessive commercialism and social inequalities, and burdened with an increasing socially excluded population. It is a world where poverty exists side by side with surplus and waste of goods and services. In a world like this, it is extremely important for socio-economic policy makers to take it for granted that there is no such thing as historical necessity or destiny. No matter what barriers are encountered, extractive institutions can be replaced with inclusive institu-

tions [Żakowski (ed.), 2015: 474]. The inclusiveness of a socio-economic system now becomes an essential vehicle for harmonizing socio-economic growth and improving the quality of life. This is true for Poland as well as for many other countries.

References

Acemoglu D., Robinson J.A., 2012, *Why Nations Fail. The Origins of Power, Prosperity, and Poverty*, New York: Crown Publishing.

Arak P., 2015, Polacy: pracoholicy Europy, *Obserwator Finansowy*, February 16.

Balcerzak A.P., Pietrzak M.B., 2015, *Efektywność instytucji a jakość życia w kontekście globalnej gospodarki wiedzy*, *Working Papers from Institute of Economic Research*, No 45, www.badania-gospodarcze.pl/images/Working_Papers/2015_No_45.pdf, first version [20.12.2015].

Beal D., Rueda-Sabater E., Ling Heng S., *Why Well-Being Should Drive Growth Strategies. The 2015 Sustainable Economic Development Assessment*, The Boston Consulting Group, May 2015, www.bcgperspectives.com/Images/BCG-Why-Well-Being-Should-Drive-Growth-Strategies-May-2015.pdf [12.02.2016].

Council Recommendation of 14 July 2015 on the 2015 National Reform Programme of Poland and delivering a Council opinion on the 2015 Convergence Programme of Poland (2015/C), ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_poland_en.pdf [10.01.2016].

Country Report Poland 2015, {COM(2015) 85} final, Commission staff working document SWD(2015) 40 final, Brussels, 26.02.2015.

European Union, 2015, *Innovation Union Scoreboard 2015*.

GUS, 2014, *Prognoza ludności na lata 2014-2050*, Warszawa.

GUS, 2015, *Rocznik Statystyczny GUS 2015*, Warszawa.

GUS, 2016, *Ubóstwo w Polsce w latach 2013 i 2014*, Warszawa.

Hansen A.H., 1938, *Full Recovery or Stagnation*?, London: W.W. Norton.

Hansen A.H., 1939, Economic Progress and Declining Population Growth, Presidential address delivered at the 51st Annual Meeting of the American Economic Association, Detroit, Michigan, *The American Economic Review*, Vol. XXIX, No. 1, part I.

Jakość prawa, *Biuletyn PTE*, Warszawa 2015, Vol. 1.

Jaumotte F, Osorio Buitron C., 2015, Power from the People, *Finance & Development Journal*, Vol. 52, No. 1, www.imf.org/external/pubs/ft/fandd/2015/03/jaumotte.htm [20.01.2016].

Kołodko G.W., 2013, *Dokąd zmierza świat. Ekonomia polityczna przyszłości*, Warszawa: Prószyński i S-ka.

Kornai J., 2013, *Dynamism, Rivalry, and the Surplus Economy: Two Essays on the Nature of Capitalism*, Oxford: Oxford University Press.

Lissowska M., 2008, *Instytucje gospodarki rynkowej w Polsce. Institutions for Market Economy. The Case of Poland*, Warszawa: Wyd. C.H. Beck.

Mączyńska E., 2013, *Cywilizacyjne uwarunkowania rozwojowe Polski*, Warszawa: PTE, www.pte.pl/pliki/2/11/Artykul_EMaczynska.pdf [10.02.2016].

Mączyńska E., 2014a, Anomiczne podłoże erozji ładu gospodarczego, In: P. Pysz, A. Grabska, M. Moszyński, *Spontaniczne i stanowione elementy ładu gospodarczego w procesie transformacji – dryf ładu czy jego doskonalenie?*, Warszawa: PTE, sgr.pte.pl/wp-content/uploads/2014/10/Spontanieczne-i-stanowione-elementy-%C5%82adu_druk.pdf [20.02.2016].

Mączyńska E. (ed.), 2014b, *Bankructwa przedsiębiorstw. Wybrane aspekty ekonomiczne i prawne*, Warszawa: Oficyna Wydawnicza SGH.

Mączyńska E., 2015, Egzogenne, cywilizacyjne i ustrojowe uwarunkowania innowacyjnego rozwoju polskiej gospodarki, *Studia Ekonomiczne*, Vol. 3.

Mączyńska E., Morawska S., 2015, *Efektywność procedur upadłościowych. Bankructwa przedsiębiorstw, katharsis i nowa szansa*, Warszawa: Oficyna Wydawnicza SGH.

NBP, 2005, *Zasobność gospodarstw domowych w Polsce. Raport z badania pilotażowego 2014 r.*, Warszawa.

Ostry J.D., Berg A., Tsangarides Ch.G., 2014, *Redistribution, Inequality, and Growth*, IMF Staff discussion note, February 2014, SDN/14/02, International Monetary Fund Research Department, April 2014, www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf [20.12.2015].

Piątkowski M., 2013, *Poland's New Golden Age: Shifting from Europe's Periphery to Its Center*, Policy Research Working Paper 6639, The World Bank, October 2013.

Piątkowski M., 2015, *How Poland Became Europe's Growth Champion: Insights from the Successful Post-Socialist Transition*, February 11, 2015, www.brookings.edu/blogs/future-development/posts/2015/02/11-poland-post-socialist-transition-piatkowski [1.01.2016].

Poland – Economic Indicators, 2016, www.tradingeconomics.com/poland/indicators.

Poland 'top performer' in international ranking, May 28, 2015, www.thenews.pl/1/12/Artykul/208399,Poland-%E2%80%98top-performer%E2%80%99-in-international-ranking [12.02.2016].

Poland outperforms UK in education and health, report finds, www.theguardian.com/news/datablog/2015/may/28/poland-outperforms-uk-in-education-and-health-report-finds [2.02.2016].

Pysz P., Grabska A., Moszyński M., 2014, *Spontaniczne i stanowione elementy ładu gospodarczego w procesie transformacji – dryf ładu czy jego doskonalenie*?, Warszawa: PTE.

Rada Ministrów, 2015, *Wieloletni plan finansowy państwa na lata 2015-2018* [*Government Multiannual Financial Plan for 2015-2018*], Warszawa (April).

Rada Ministrów, 2016, *Wieloletni plan finansowy państwa na lata 2016-2018* [*Government Multiannual Financial Plan for 2016-2019*], Warszawa (April).

Rae G., 2015, *Privatising Capital: The Commodification of Poland's Welfare State*, Frankfurt am Main: Peter Lang AG.

Rist G., 2015, *Urojenia ekonomii*, Warszawa: Instytut Wydawniczy Książka i Prasa.

Schraad-Tischler D., 2015, Social Justice in the EU – Index Report 2015, *Social Inclusion Monitor Europe*, Gütersloh: Bertelsmann Stiftung.

Special report: Poland. Poland's new golden age. The second Jagiellonian age, *The Economist*, June 28, 2014.

Stiglitz J.E., 2013, *The Price of Inequality: How Today's Divided Society Endangers our Future*, New York – London: W.W. Norton & Company, 1 edition (April 8, 2013).

Summers L.H., 2013, *IMF Fourteenth Annual Research Conference in Honor of Stanley Fischer*, Washington (November 8, 2013).

Summers L.H., 2014, Reflections on the 'New Secular Stagnation Hypothesis', in: C. Teulings, R. Baldwin (eds.), *Secular Stagnation: Facts, Causes and Cures*, London: Centre for Economic Policy Research (CEPR), 27-41.

Tobin J., 1978, A Proposal for International Monetary Reform, *Eastern Economic Journal*, Vol. 4, Issue 3-4: 153-159, cowles.econ.yale.edU/P/cp/p04b/p0495.pdf [20.02.2016].

The World Bank, 2016, *World Bank Group Flagship Report 2016 International Bank for Reconstruction and Development*, Washington, www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf [2.02.2016].

Woś R., 2015, Polska nie była wcale dzikim Wschodem, który można było ucywilizować tylko dzięki inwestycyjnej kroplówce z Zachodu. Z Gavinem Rae rozmawia Rafał Woś, *Dziennik Gazeta Prawna*, February 6-8, 2015.

Wünsche H.F., 2015, *Ludwig Erhards Soziale Marktwirtschaft – Wissenschaftliche Grundlagen und politische Fehldeutungen*, Reinbek – München: Lau Verlag & Handel KG.

Żakowski J. (ed.), 2015, *Reforma kulturowa 2020-2030-2040. Sukces wymaga zmian*, Warszawa: KIG.

Gospodarka nadmiaru *versus* gospodarka inkluzywna

Streszczenie. *W artykule wychodzi się z założenia, że w gospodarce wolnorynkowej podstawową barierą rozwojową jest bariera popytu. Rodzi to szereg dysproporcji w rozwoju społeczno-gospodarczym, w tym zjawisko marnotrawstwa, którego podłożem jest charakterystyczna dla krajów wysoko rozwiniętych gospodarka nadmiaru. Wyraża się ona w niedostosowaniu rozmiarów podaży dóbr i usług do możliwości popytowych. Podstawową tezą artykułu jest teza o możliwości przeciwdziałania syndromowi gospodarki nadmiaru poprzez proinkluzywne przekształcenia w systemie społeczno-gospodarczym. W analizach tej kwestii wychodzi się z założenia, że inkluzywność jest wartością samą w sobie. Inkluzywność zaś systemu społeczno-gospodarczego jest nieodzownym warunkiem trwałego, harmonijnego rozwoju. Inkluzywność rozumiana jest tu jako mechanizm/system ograniczający marnowanie zasobów materialnych i kapitału ludzkiego. Oznacza to razem przechodzenie od gospodarki nadmiaru do gospodarki umiaru. Inkluzywny system społeczno-gospodarczy to system zorientowany na optymalizację wykorzystania zasobów wytwórczych i zmniejszanie rozpiętości między rzeczywistym a potencjalnym poziomem wzrostu gospodarczego i rozwoju społecznego. W artykule przedstawione są główne elementy takiego systemu. Kwestie te przedstawiane są z uwzględnieniem sytuacji w Polsce. Podstawą opracowania są analizy statystyczne i studia literatury przedmiotu.*

Słowa kluczowe: *inkluzywna gospodarka, gospodarka nadmiaru, gospodarka umiaru, wykluczenie społeczne, nierówności dochodowe, system społeczno-gospodarczy*