THE NATURE OF CAPITALISM IN POLAND. CONTROVERSY OVER THE ECONOMY SINCE THE END OF 2015: THE PROSPECTS OF BUSINESS ELITE AND EMPLOYER ASSOCIATIONS

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ABSTRACT The article characterizes the main directions of changes in economic policy and the institutional transformation introduced by the Law and Justice party government in Poland since the end of 2015. This issue is analyzed in the perspective of the Varieties of Capitalism (VoC) approach applied to post-communist countries of Central and Eastern Europe (CEE), with particular regard to industrial relations (IR) and the controversy which the new government’s policy is raising among the Polish business elite and leaders of the largest national employers' associations. The secondary role of such associations in post-communist transformation in CEE and efforts to systemic change the direction of reforms undertaken in Poland since the early 1990s has been presented. New relationships between government and business have been explored, as well as attempts to re-shape the system of economic representation, including employers' associations. The Polish example confirms the weakness of entrepreneurs and new middle classes in CEE societies. This weakness is one of the factors favoring neo-etatist, populist and authoritarian tendencies, not only in Hungary and Poland.

KEYWORDS: Varieties of Capitalism in CEE, post-communist transition, Poland under PiS government, Polish economic elite and employers' associations

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INTRODUCTION

The victory in the presidential and parliamentary elections in 2015 of the right-wing Law and Justice party (PiS) opens a new chapter in Poland’s political history, institutional setup and also representation of interests. PiS leaders reject the neo-liberal direction of systemic change that has followed the collapse of communist rule, countering it with economic interventionism and an active social policy that is designed to foster a national Catholic identity of Poles. In its foreign policy Warsaw has expressed euro-skepticism, in close cooperation with Viktor Orbán’s government in Hungary and the United Kingdom (PiS MPs, together with the British Conservative Party, are in the European Parliament faction The European Conservatives and Reformists Group). From this perspective, most of the Polish business elite and main Business Interest Associations (BIAs) are treated by the new government with reserve, perceived as a product of the neoliberal, corrupt transformation and the post-communist past (like the former nomenclature) that only barely takes Poland’s national interests into account. This situation is radically changing the relations between the state authorities and the BIAs.

This article is organized as follows: The first part outlines the theoretical context of the role of collective business actors, especially as organized in BIAs in Central and Eastern Europe (CEE), characterized using the Varieties of Capitalism (VoC) approach. Within this framework, Poland was regarded as representing a form of embedded neo-liberalism, whose relations with Western Europe are those of a dependent market economy. The second part presents the methodology and data sources that support the theoretical sections of the article. The third part focuses on the role of BIAs in Poland and in CEE, especially in terms of industrial relations (IR). The fourth part characterizes the main principles of the policy of PiS in terms of its attempts to ‘correct’ the systemic reforms in Poland. The fifth part describes the relationship between the new government, the business elite and BIAs against the background of political and economic controversies. The article is summarized in the conclusions.

THEORETICAL CONTEXT. NEW FOREIGN-LED CAPITALISM IN CEE

The characteristics of models of capitalism in CEE often go beyond the VoC dichotomy between the liberal market economy (LME) – where coordination occurs predominantly via markets and hierarchies – and the coordinated market economy (CME) – where networks and/or associations permit close cooperation
that go beyond markets and hierarchical control (Bluhm et al. 2014; Orenstein 2013; Hall – Soskice 2001). Two major dimensions of the application of the VoC approach to CEE can be distinguished that are most often cited in the literature. One of them focuses on the welfare state, labor market and IR, and the other on comparing CEE countries with Western institutional models of capitalism.

Regarding the first dimension, the interpretation of Bohle and Greskovits (2012) is influential; these authors refer to the achievements of Karl Polanyi and his scheme of three components: the market, institutions that restrict the logic of the market (e.g. foster redistribution to maintain social cohesion), and the state. The three interact to create combinations of democracy, macroeconomic coordination and corporatism. Using these criteria, Bohle and Greskovits have identified the four welfarist Visegrad countries (Czech Republic, Hungary, Poland and Slovakia) as embedded neoliberal regimes. The concept of “embeddedness” in this case means the regulatory framework relating to the rights of various stakeholders, some of which restrict the freedom to use productive private property, and affect market-related laws. VoC research indicates that, among the common features of the region, the lack of domestic capital, weak civil society and the significant impact of the EU and other international organizations influence CEE models of capitalism (Bluhm et al. 2014; Jasiecki 2013; Farkas 2011; Hardy 2009; Bandelj 2008).

The second of the discussed dimensions of capitalism in CEE is concerned with the effects of the activities of economic institutions that are singled out (as proposed by Hall and Soskice [2001]) for comparison with those of Western Europe. The VoC literature on CEE often cites Nölke and Vliegenthart (2009) who believe that the economies of most countries in the region are not accurately described by the LME and CME models. Instead, they are “dependent market economies” (DME) that are new variants of capitalism. A key feature of a DME involves subordination (here, of CEE) to the interests of foreign capital, coordinated largely by hierarchical intrafirm relationships within transnational corporations (TNCs) that control local subcontractors, major companies and key sectors such as financial services, telecommunications and export industries (e.g. the automotive industry). Integration with the EU has strengthened the role of foreign investors in CEE, which is extraordinary compared with that in western countries.

This situation has led to critiques from the “dependency school” and world-system theorists (Bluhm et al. 2014; Lane – Myant 2007) that the VoC approach...
cannot be unreflectively expanded to apply to the post-socialist East. Historical sociology, development studies and regional studies also provide sources for such criticism (Jasiecki 2016). Influenced by this inspiration, part of the VoC literature has changed the way of interpreting the new capitalism in CEE. Due to the sizable differences in the level of development, paths to post-communist market economy and integration with the EU in a new way restored subordination rules of CEE that existed in Western Europe before World War II. Part of the VoC literature points out the limitations of economic development based mainly on foreign capital. Some researchers characterize the CEE as representative of semi-peripheral capitalism and peripheral market economies (Berend 1996; Lane – Myant 2007), foreign-led capitalism (King 2007; Jasiecki 2013) or incomplete modernization and Westernization (Bohle – Greskovits 2012, 2007). In line with this approach, key economic institutions in CEE, such as coordination mechanisms, the financial system, corporate governance, and the division of labor, are subordinated first of all to the preferences of EU TNCs as major economic players. Such circumstances also significantly determine the market situation of companies and also the possibility of political influence of middle classes and entrepreneurs. The market power of TNCs and the substantial participation of the public sector, along with diffuse private capital, delay the formation of a strong domestic middle class and business elites in the CEE. Additionally, in Poland the massive inflow of FDI since the mid-1990s has been accompanied by the destruction of many companies and sectors, and selective modernization and reindustrialization through the activities of TNCs.

The result is a concentration of foreign capital and influence in certain lucrative sectors like finance and IT, and that of national capital in other less profitable sectors. Competition, divergent interests and the different organizational cultures of foreign-liberal and nationally oriented groups have resulted in the emergence of a dual market economy which is characterized by weak linkages, spillovers and coordination between the sectors dominated by big foreign capital and leading state-owned companies or domestic privately owned companies. The subordination of the state to the interests of foreign capital also affects the system of political influence and dependencies. Foreign capital – especially TNCs – can mobilize significant resources such as capital, new technology and management quality, their own political and business networks, lobbying, value systems and ideologies as well (Jasiecki 2013, 2008; Hardy 2008; Bandelj 2008; King – Szelenyi 2005). The state of Polish BIAs is one of the important indicators of such a situation.
METHODOLOGY AND DATA

The article deals with the issue of the role of the business elite and BIAs in Poland and their relations with the new government. A neo-institutional perspective is applied with particular emphasis on the VoC literature as applied to CEE. The empirical data and their interpretation are derived from different sources: a review of the literature and secondary data, the author’s participation in international research projects about economic elites (Jasiecki 2013, 2002; Trappmann et al. 2014), personal participant observations resulting from long-term cooperation with some BIAs, and the use of BIA websites. The main subject of the analysis is the activities of the main employer associations represented in the tripartite Social Dialogue Council (SDC), which under the law are the main representatives of the business community for dealing with state authorities and trade unions. These organizations are: the Polish Craft Association, the Polish Employers, the Business Centre Club and the Lewiatan Confederation.

The first step of my analysis examines the relations of the PiS government with the business elite and BIAs, and the characteristics of the conditioning of their role in the creation of the “new” capitalism in CEE based on the example of Poland. Then, to substantiate an understanding of the role of BIAs in the system of interest representation, I chose IR as the main area of activity of business to investigate. BIAs – thanks to liberal state policies, the erosion of workers’ representation, and the process of privatization – quickly started to build their position as one of the new collective actors of the transformation. However, due to the new government’s goal of changing the political system and the economic model, the organization of BIAs is becoming a serious challenge. This change, described by Inglehart and Norris (2016) as ‘anti-establishment national populism’ by those who prefer a leading role for state management in the economy, is characterized by reference to government programs which are controversial in terms of economic policy. I also describe here the position of the business elite and main BIAs towards government policies and some new elements of the government’s relations with BIAs, as well as the causes of the weakness of BIAs.

THE SECONDARY ROLE OF COLLECTIVE BUSINESS ACTION IN THE POST-COMMUNIST CHANGE

The collapse of the communist regime in the CEE enabled the creation of employers’ associations. The formation of BIAs was also one of the important components of the rebirth of civil society and created a new system of the
representation of interests. However, the emergence of new BIAs took place under particular systemic conditions. In the early period of the post-socialist transformation, private entrepreneurs were a new social product rather than a strong collective actor. Their specificity determined an unprecedented situation of an almost simultaneous creation of the new social actors in a policy combining the lack of, or weakness in, determining their rules of behaviour. Wiesenthal (1996) has pointed out the weakness of social self-organization and the lack of clear “class” and “functional” divisions for defining interests.

In the 1990s when BIAs were being established, neo-liberal pluralist theories assuming that the political process in the country was a result of the clash of the different interests of pressure groups became very influential. According to this approach, in the CEE countries the management and workers of large state-owned companies were the main groups that were organized for collective action, and also the most powerful economic lobbies. These groups had disproportionate power to protect and subsidize support for their own sectors of economy. Without their demobilization by new elites and government, it would have been impossible to make the transition to a market economy and democracy (Olson 2000: 159-165; Aslund 2008). The manifestation of such a position was perceived as the strengthening of owners’, stockholders’ and managers’ influence, achieved through a process of neoliberal economic reforms.

Its consequence has become the erosion of employee representation, especially the trade union (in Poland it also adversely affected the employee council, rada pracownicza, which was established in 1981 and since 1990 has dissolved following the commercialization and privatization of most state-owned companies) and at the same time the formation and development of BIAs. Governments, through introducing the new system rules which largely determined the main winners and losers of the transformation, were the drivers of such changes in the region. Hybrid regimes, combining elements of statism, weak corporatism and pluralism, and the fragmentation of BIAs were part of this process, with significant foreign ownership, limited employer associations, low employer density and only moderate employer interest in social partnership and cooperation with labor. The specificity of the emerging CEE capitalism lies in the fact that the largest employer is still the state, which also functions as an employers’ association as the owner of many of the largest companies. From this perspective, post-communist systems of representation of interest significantly differ from the LME as well as the CME variants. Among the key institutional areas of capitalism analyzed in the VoC literature, the role of BIAs is particularly well-characterized in the area of IR.

In EU countries, it is assumed that there are four main institutional components of IR: 1) established social partners; 2) wage-setting based on
collective bargaining; 3) worker co-determination at the company level; and, 4) the practice of tripartite policy making. Comparing these pillars, almost all the CEE have lower indicators of development in those areas than the EU-15. According to the report *Industrial Relations in Europe* (2015: 26), the region – with the exception of Slovenia – is “characterized by weaker trade unions and a faster fall in trade union density, a lack of established business associations, no tradition of bipartite multi-employer collective bargaining, persistently lower bargaining coverage […]. Tripartite councils are still present in the majority of central and eastern European Member States, but the role they play is heavily influenced by government attitudes towards trade unions and employers associations.” The Eurofound (2016) report depicted Poland as a fragmented and state-centered regime for IR, with increasing government unilateralism, a leading role for the state in IR and an irregular and politicized role for social partners in public policy.

The Tripartite Commission for Socio-Economic Matters (TC) was established in 1994 as a forum for consultation for the government, BIAs and trade unions; however, the level of social dialogue remains low and the relations between the government and social partners remains fluid; depending on political and economic changes, it may evolve towards liberalism or neo-corporatist solutions. Some researchers even consider Poland to be statist, given the strong stakeholder position of the state in tripartite agreements (Gardawski 2012; Meardi 2000). Tripartite bodies, such as TC and (since late 2015) the new SDC in Poland, are rather forms of ad hoc cooperation without many of the qualities that Lembruch relates to interest concentration, as in the model of neo-corporatism.

Although the Polish BIAs lobby for liberalization and deregulation, they have been regarded as weak and fragmented due to the pluralist mode of interest group interaction they represent, along with governmental and industrial fragmentation that make it difficult to establish a commonality of interest. Their density rate, below 20%, is one of the lowest in the EU. In Western Europe, BIAs represent on average from 60% to 80% of all entrepreneurs (Eurofound 2016). In Poland, the number of members of BIAs with a bargaining function is quite small. Membership in an BIAs is most common in very large companies, mainly in foreign companies, state ownership companies and join-stock companies (Trappmann et al. 2014: 181). Membership of BIAs that participate in collective bargaining is also very low, close to 10% in private SMEs. This is the lowest rate of participation of employers’ associations in collective bargaining in the EU (the average is close to 40%).

In turn, collective bargaining coverage in Poland is at the level of 15% compared with an average of 60% in the EU (Eurofound 2016). If we focus on IR, liberal components have predominated in terms of the flexibilization
of labor law, especially since the beginning of the 2000s due to government reforms reflecting the requirements defined by the EU for candidate countries (the unemployment rate in 2004 rose above 20 per cent). Paradoxically, in the wake of the mass expansion of temporary and civil law contracts (precarious employment, “junk jobs”), many young workers have questioned the need for unions, and identified trade unionism with the previous political system (Mrozowicki et al 2015). In such circumstances, employers are not motivated to organize themselves in BIAs. Such a system of representation of interests is beneficial to business, especially large companies and certain stronger sectors (Table 1).

**Table 1. Social Dialogue and Industrial Relations in Poland: the institutional context for BIA activity**

<table>
<thead>
<tr>
<th>Main aspects</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Institutional model</td>
<td>mixed and hybrid, combining elements of etatism, corporatism and pluralism, political clientelism, fragmentation of industrial relations</td>
</tr>
<tr>
<td>Institution of social dialogue</td>
<td>Social Dialogue Council, regional Social Dialogue Councils, sectoral dialogue councils</td>
</tr>
<tr>
<td>Area of decisions</td>
<td>monitoring, labor law, collective agreements, social insurance, public service, budgets, wages and social benefits, EU affairs</td>
</tr>
<tr>
<td>Industrial democracy</td>
<td>labor de-collectivization, weak workplace representation, very low participation of workers in management (exception mainly being state-owned companies)</td>
</tr>
<tr>
<td>Social actors</td>
<td>organizational fragmentation, low employer association density, very low trade union density, low public confidence in business associations and trade unions</td>
</tr>
<tr>
<td>Selected indicators</td>
<td>irregular and infrequent involvement of employers and unions in government decisions, decentralized and fragmented bargaining coverage, mostly at the company level, low level of labor mobilization and strike activity, labor market flexibility</td>
</tr>
<tr>
<td>Implications</td>
<td>dominance of the state, bureaucratic formalization, weak autonomy and dialogue of social partners, lack of active labor market policies, evolution of formal tripartite institutions, significant work-related migration from Poland to the EU-15</td>
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RIGHT-WING POPULISM: A REVERSAL OF SYSTEMIC REFORMS IN POLAND?

On October 25, 2015 a coalition of right-wing parties led by PiS won the parliamentary elections. The party of Jaroslaw Kaczynski (the de facto political leader of Poland) has a stable parliamentary majority. This radical political change in the major centers of power is substantially different from other alternations of power that have occurred in Poland. According to an announcement by the new leaders of the government, their rule will lead to the reversal or correction of the systemic reforms that happened in Poland after the fall of communism, including those that affect basic institutions. The PiS (founded in 2001) has been a “protest party” against the political system and the corruption of post-transitional elites and can be described as populist in terms of its charismatic leadership, aggressive style and language, policy issues, methods of mobilizing voters and implementation of policy. Their xenophobic attitude toward immigrants (especially Muslims), and patterns of behavior involving a rejection of the axiology of liberal and left-wing elites have similarities with those of Donald Trump, Nigel Farage, Viktor Orbán, Marine Le Pen and Geert Wilders (Muller 2017). Similar is a lack of trust in state institutions and the organized representation of interests often connected with elements of far-right socio-cultural authoritarianism, such as an aversion to ideological pluralism and tolerant multiculturalism (Chapman 2017).

According to Nalewajko (2013), the following can be identified among other features of Polish right-wing populism: a confrontational attitude and the language of emotions, radicalism and a tendency to escalate conflicts, moral rigor in the assessment of political opponents, nostalgia for the “good old days” (like the pre-war Second Republic), creation of pessimistic scenarios about the future, anti-intellectualism, a tendency to isolation and exclusiveness, appeals to those lost and frustrated, a belief in the sovereignty of the people defined in terms of a single national community, treatment of democracy as majority rule, use of dichotomous simplifications in the description of social life (patriotic “real Poles” versus “corrupt elites”), as well as a tendency to marginalize minorities

3 Voter turnout was 50.92%. PiS acted in coalition with two small right-wing parties as Zjednoczona Prawica (United Poland), winning the parliamentary election and securing an outright majority in the lower chamber, the Sejm. PiS as part of a coalition won 37.58% of the votes (235 seats for deputies). Other parties with Sejm representation include the center-right Platforma Obywatelska (PO, Civic Platform – 24.09% of votes and 138 seats), the radical right Kukiz’15 movement (8.81% and 42 seats), Nowoczesna (Modern), the new liberal party founded in mid-2015 (7.60% and 28 seats) and the agrarian Polskie Stronnictwo Ludowe (PSL, Polish People’s Party – 5.13% and 16 seats; PO’s former coalition partner). For the first time after 1989, no leftist party is in the Sejm.
and personal rights, and recourse to conspiracy theories. In Poland, like in many CEE countries, right-wing populism is distinguished by its relatively significant influence; populists promote an identity and national character rooted in the specifics of the local cultural background, in the “heritage of Leninism”, the egalitarian attitudes present over several generations and the weakness of democratic institutions (Tismaneanu 1996; Mudde 2002). For instance, and in confirmation of these observations, in the opinion of the PiS well-wisher and former adviser to president Lech Kaczyński, resentment in the party predominates, and the party “has everything there was to gain. Nevertheless, it is still driven by a sense of injustice and exclusion, which it previously experienced, even during the whole transformation period” (Cichocki 2016).

This kind of political style is also reflected abroad in relations to other countries, especially Germany, as well as the EU institutions. This has resulted in an inspection of the rule of law in Poland and conflicts with the Venice Commission and the European Commission (after changes were made to the Constitutional Tribunal, and bills subordinating to the Attorney General key judicial appointments and control of the Supreme Court, the National Council of Jurists, and heads of all local and regional courts).

The normative goals of PiS government are to modify the Polish political system in line with the conservative style of General de Gaulle’s early Fifth Republic in France (which Devauger described as a “republican monarchy”) and to strengthen national character (Kaczyński 2014), based on a process of centralization and the concentration of executive power, regarded as a prerequisite for improving the quality of the state and democracy. PiS leaders follow two other models in their political activity: 1) Marshal Józef Piłsudski’s coup d’etat in May 1926, which established in interwar Poland a semi-dictatorship and the authoritarian regime of sanacja (regenerative purge) and a cult of the “interest of the state”; and, 2) the activities of Viktor Orbán’s government in Hungary since 2010, which serve as a roadmap for Poland. In 2011, Jarosław Kaczyński said that he is “deeply convinced that the day will come when we will have Budapest in Warsaw”.

The parallels between Hungary and Poland since PiS came to power include an authoritarian leadership style, a shift in the public mood toward distrust and

4 The new shift towards populism, conservatism and right radicalism among young Czechs, Poles, Slovaks, and Hungarians is described in edition no. 02/2017 of the *Aspen Review Central Europe*.

5 Piłsudski’s new Polish constitution (1935) provided for the massive extension of presidential powers, including a suspensive veto, dissolution of the legislature, dismissal of the cabinet and of individual ministers, the authority to issue ordinance with the force of law, and the appointment of a third of all senators. This was to become a partial model for Gaullist France’s charter of 1958 (Rothschild 1998: 69). The official motto of the PiS government’s economic strategy quotes Piłsudski’s words – “Poland will be great, or it will not be at all”.
right-radicalism, nationalistic rhetoric, a xenophobic attitude toward immigrants, the marginalization of social dialogue, a breakdown of checks and balances in state institutions (making them an early target of the constitutional court), government control of public media, mass replacement of employees in the civil service, state-owned companies and diplomatic posts, and the renationalization of some private companies. The government has used its control over finance and parliament to launch attacks on the autonomy of democratic institutions: the judiciary, local governments, schools, cultural centers and civil society organizations.⁶

The culmination of this change is a new constitution (as announced by President Andrzej Duda) that legalizes controversial reforms and guarantees a crucial role for the executive in the state, thereby moving away from the goals of the separation of powers according to the Polish Constitution of 1997. PiS leaders promote the example of Viktor Orbán’s system in Hungary, which since 2010 has been considered the exemplar of a populist-conservative turnaround in CEE, the replication of which will create an authoritarian “illiberal democracy” such as exists in Russia, Belarus and Turkey (Orenstein 2013). Confirmation of the common values shared by Jaroslaw Kaczynski and Viktor Orbán was the announcement of a “cultural counter-revolution in Europe, based on a defense of the nation, family and Christianity.” Like in many CEE countries, in Poland right-wing populism in its approach to the economy is statist, thus business activity is associated with the lawbreaking, corruption and the abuse of power that were frequent in the initial phase of the post-communist transition (Jarosz 2005; Karklins 2005; Mudde 2002). In a classification of 268 parties in 31 European countries presented by Inglehart and Norris (2016: 44), the PiS is categorized as an economically left-wing populist party, similarly to Viktor Orbán’s Fidesz.⁷ The basis for this categorization is the focus on the leading role of state management in the economy, the emphasis on collective economic redistribution, and the expansion of the welfare state.

This approach contrasts with the neoliberal model of economic policy and its ideas about small state and free market, deregulation, low taxation and individualism. PiS economic policy refers to the idea of “state capitalism,” according to which the state–owned sector should stimulate innovation, accumulate capital and make effective use of it, as once happened in France

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⁶ On the similarities and differences between the political and institutional changes in Poland and Hungary, see Chapman (2017), Muller (2017) and Economic Studies (2016).

⁷ For more detailed information about the classification of populist parties on the economic Left-Right party scale, see Inglehart – Norriss (2016) and for techniques of exercising power both by right-wing and left-wing populists Muller (2017).
and in South Korea. Part of this project also involves creating national-conservatives elites and new middle classes. According to the deputy prime minister Mateusz Morawiecki, the development of Poland after 1989 was based mainly on foreign investment and EU funds, low labor costs, cheap energy from coal and the indebtedness of the economy and of the state. Despite the relative success of economic reform, this situation has created a new form of dependence on the West, including limiting the sovereignty of the state and economic development opportunities. The new economic policy adopted by the government in February, 2016 (Strategia Odpowiedzialnego Rozwoju, SOR) calls for an increase in the role of the state in the economy, especially government support for innovative start-ups and selected industries (such as aviation and rail transport). From a theoretical perspective, the new economic policy can be treated as a political response to the limitations of the development of Poland, characterized by some VoC researchers within the model of “foreign led capitalism” or “dependent market economy”. If successfully implemented, this strategy may reduce structural heterogeneity, dependency and the dual economy – especially in the Western enclaves of excellence in some sectors and regions, and the fragmentation of the economy and social structures (Jasiecki 2016, 2013). Potentially, this strategy – along with efforts to increase domestic ownership – may rebuild a coherent market economy based on the institutional complementarities directed by the government.

However, there is another possibility: that the crude and hasty measures may instead undermine not only the functioning model of the economy (with the leading role of foreign capital), but also some aspects of liberal democracy, such as the rule of law and pluralism in the media. The activities of PiS are liable to do both, especially now that the party invokes Viktor Orbán’s political system reforms and economic policy as a model. Such discrepancies in the evaluations of economic policy are also part of the controversy around the model of the state and democracy in Poland, as described by researchers led by Jerzy Hausner:

The fundamental dispute about the model of the state seems to apply not only to the specific institutional solutions [...] but also to the two visions of democracy. The first one is a liberal democracy covering [...] issues such as the protection of individual rights, the protection of minorities against arbitrary domination of the majority, the principle of the rule of law and the system of restrictions on the arbitrary power. The second vision is associated with statist concept of the state, whose representatives, chosen in general elections are given legitimacy to the

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8 See the results of a joint Polish-Hungarian project “Development pattern of CE countries after 2007-2009 crises, on the example of Poland and Hungry”, carried out in 2014-2016 by the Institute of Economic Sciences of the PAS and the WAN (Economic Studies 2016).
autonomous implementation of their policies, to a small extent covered by the current, social control (Państwo i my, 2015: 118-119).

The practice of PiS rule is closer to the second conception of the state. Some researchers say that, since 2015, the government’s policy has constituted an attempt to take control of the most important economic processes in the Polish economy, which resembles utopian engineering in the meaning of Karl Popper (Wilkin 2017: 42). Such engineering is fostered by a deep political and constitutional crisis that marginalizes social and civic dialogue, restricts the privatization of state-owned companies (energy, mining, railway, healthcare, land, forest), and strengthens the role of the government as a regulator, owner and investor.

NEW RELATIONS BETWEEN THE GOVERNMENT AND BUSINESS

In terms of VoC, it is still too early to judge the long-term evolution and the consequences of this new economic policy and institutional changes. The changes are of varying pace and nature. Often, their impacts are not initially clear and capturing their interconnections requires substantial research. However, after nearly two years of rule by PiS, some comments and hypotheses regarding certain transformations of the Polish variant of capitalism can be formulated, with particular emphasis on the new relations between the government and business. These mainly concern the welfare state, rules of economic coordination, industrial relations, and corporate governance. Pragmatism makes business to support various governments, including PiS, while maintaining a certain distance and criticism against their actions. Business presents such a position also towards the PiS government.

The main BIAs which together form the Polish Council of Entrepreneurship (which are also part of the tripartite CDC and the Polish Business Council and the National Chamber of Commerce) have expressed support for the diagnoses and economic courses of action of the government. In this case the main areas of discussion are the assumptions, methods of implementation, and the financing of the new economic policy. BIAs centred in the CDC officially support the new social policies of the government, but have numerous concerns about the costs of social transfers, the details of their implementation, and their negative impact

9 The government also implements programs for promoting the innovation of enterprises, and since 1 September 2017 has made reforms to the educational system (schools). It has also promised to reform higher education and science.
on the labor market, as well as opportunities for funding other areas, such as development investment and public services, will be affected (Grabowska 2016). Many economists and BIA experts list among the threats to economic development and the country’s finances other electoral proposals of PiS, such as the augmentation of spending on health care and national defense.

The government has announced a substantial increase in domestic investment, but this is considered by business to be contrary to the social priorities pursued. The manifestation of business skepticism towards the economic policy of the PiS government relates to the low level of private investment. BIAs identify unclear prospects for the economy, the instability of law and the increasing level of risk, the introduction of a sectoral tax on banks, and the revision of the VAT Act (considered to be a potential tool for harassing business) to be problematic. As manifestations of this dysfunctional policy, the following are indicated: the increasing level of penalization of economic activity (such the bill of punishment of 25 years imprisonment with the administrative confiscation of business for fraud and tax errors), vague announcements of drastic changes in taxes, the ruin of national champions in damaging economic projects, and maintaining a political distance that is fostered between the EU and main economic partners such as Germany. BIA leaders call attention to the contradictions in government policy which declares support for business while at the same time passing laws fundamentally in opposition to the objectives and proposals of this strategy (Wspólne stanowisko 2016).

However, economic growth of nearly 4% GDP per annum, wage increases, a drop in unemployment to 5% (such in Austria and Holland) and an effective VAT collection policy (producing 28% more budget revenue than in 2016) allow the government to finance the largest social spending since 1989. Despite massive public protests against governmental judicial reforms, polls indicate that PiS maintains a strong backing of 40 percent of voters, mostly in smaller towns and villages, and among the lower classes and the less well educated. However, the radical, national, “revolutionary” anti-liberal rhetoric and activities of the government cause varied reactions among the business classes. Some entrepreneurs and newly appointed government staff in state-owned companies

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10 A social policy focused on providing support for large families (financial allowances for the second and each subsequent child in the family, approximately €125), which was the main electoral promise of PiS in 2015, has become the priority for the government. It was introduced restoring early retirement, so as raising the minimum wage and minimum pensions, introducing free-of-charge medicines for people over 75 years of age and initiating a low-cost social housing.
embrace PiS economic policies, perceiving a comprehensive approach to business and a chance for a change in the direction of modern economy, the creation of domestic champions, competing in quality and entering new markets.

Still others, because of PiS’s authoritarian and chaotic style of economic policy, have substantial doubts about the direction and consequences of the changes. The expression of the new policy is to subordinate to the deputy prime minister responsible for the economy the Ministry of Development and the Ministry of Finance, as well as the largest banks and insurance companies controlled by the state, and the establishment of a new large financial holdings, such as Państwowy Fundusz Rozwoju. A significant manifestation of this tendency is the reversal of privatization. In Poland, characterized by a relatively large state-owned sector, the present authoritarian style of political leadership and the concentration of government executive power, favors statist coordination of the economy.\footnote{According to various estimates, the share of the state in all sectors of the Polish economy ranges from about 16% to 25%; some of the highest levels in post-communist CEE states (Kozarzewski 2016: 559). For more about the role and scope of state ownership in CEE, see Pula (2017).}

Accordingly, changes in the economy have been accompanied by the restructuring of institutions, directed toward recentralized state governance and the renationalization of some private property, both domestic and foreign. Ownership changes in Poland are describe increasing the role of the government as the owner and as management center of the economy at the expense of the private sector. Among the ways of reducing the share of the private sector in the Polish economy are nationalization and quasi-nationalization, such regulatory actions that strengthen the state domain at the expense of the market (institutional and legal changes, weakening of the capital market), as well as diminishment of the role of minority shareholders in state-owned companies and hybridization; i.e., creating fuzzy ownership structures and unclear interdependencies between state-owned subsidiaries. State-owned companies serve as a means of buying additional business entities or consolidating and promoting “national champions”. The Polish government is also implementing a policy of renationalization (“repolonization”) that refers to its efforts to increase domestic ownership in Poland, especially in the financial sectors, energy, military industry and the media.

For example, having taken over the private Alior Bank and PKO SA from the Italian Credit Union Group, domestic capital (controlled mainly by the government) now owns more than 52% of the banking sector. Over 60% of electricity in Poland is currently produced by the state energy sector (Blaszczyk 2016). The media context of “repolonization” has clear political connotations, as some PiS politicians argue that foreign owners, predominantly German ones,
“carry deliberately unfavorable coverage of the current government in an effort to undermine it.” (Chapman 2017: 8). The president of Employers of Poland notes that the taking over of media by the state can foster to reduce freedom of expression in public debate (Malinowski 2017: 260).

In terms of coordination of the economy, there is particularly significant controversies existing in the disputes concerning the rule of law. Some BIAs (Lewiatan, BCC) emphasize that political radicalism increases the uncertainty and cost of doing business, as well as reduces the creditworthiness of Poland and increases the risk of investment. Others, such as Employers of Poland, highlight the role of the quality of the law, its coherence, and the significance of public consultation, which is an assessment convergent with the position of some NGOs who deal with law enforcement, such as the Stefan Batory Foundation. The Lewiatan Confederation (2016) point out that fundamental legal instruments, such as the laws that come under the scope of the so-called Constitution of Business, are not made in consultation with employers.

In terms of IR the increase in statism is resulting in a decrease in the influence of the private sector under PiS rule. The greatest political conflicts after 1989 between the ruling camp and the opposition was largely shifted into the institutions of social and civic dialogue. as well State authorities are attempting to change the system of representation of interests, such as the government’s relations with trade unions, BIAs, and NGOs. The government prefers to maintain contacts with the leaders of the “Solidarity” Trade Unions who politically supported PiS, and are distant towards the largest BIAs that have been affiliated with liberal and leftist parties since the 1990s. Under such circumstances, the new CSD Act (adopted in the autumn of 2015) did not improve cooperation between the government, trade unions and BIAs. Social partners are divided, weak and conflicted.

Solidarity representatives have been nominated as ministers in the PiS government, and leaders of other social dialogue organizations believe that what is currently missing is the will to negotiate, along with trust and loyalty. Left-wing trade unions and some BIAs are distancing themselves from government policy. The CSD has worked out a common position on very few issues (e.g. the minimum hourly rate for contractors and the self-employed). There has been no agreement about amendments to the Trade Unions Act, lowering the retirement age, or amending the Labor Code. Social partners accuse the government of

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12 The government also is preparing a law on the National Centre for Civic Society, which, located in the Prime Minister’s Office, would allocate funds and control NGOs. According to the Ombudsman, such an approach raises concerns about the political subordination of NGOs; see https://www.rpo.gov.pl/pl/content/spoleczenstwo-obywatelskie-nie-potrzebuje-narodowego-centrum-spoleczenstwa-obywatelskiego-adam
ignoring their positions, as in the case of the judicial reform or the Law on Trade Restrictions on Sundays. The government submits draft laws, formally conducts consultations with trade unions and BIAs, and then adopts the changes it has established itself. BIAs have stressed the need for more attention to the views of business people, who are often surprised by the policies of the authorities. Because BIAs associated with the CSD are in many respects critical of the government, the PiS prefers to maintain contact with other business associations such as the Association of Entrepreneurs and Employers, and the National Chamber of Commerce.

If the government made a political decision to affiliate large companies in state ownership with this (or any other) employers’ organization, it could meet the criteria for membership in the SDC. The government may in this respect rely on the support of part of the small business sector, of domestic capital, of the newly appointed government CEOs of state-owned companies, as well as individuals from the “provinces” and young professionals who fit PiS’s social profile and see an opportunity to accelerate their careers according to the rules for party promotion described by Weber. The business environment is weakened even further by its frail roots in modern industries, as well as significant political divisions and opportunism. There are also various ideas for changing the representation of employers and entrepreneurs.

One of them was proposed to the Sejm by a joint commission of government and entrepreneurs, and its implementation could weaken the CSD. Another idea concerns the possibility of introducing a bill that would apply to the chambers of commerce and industry, and, like that of Germany or France, would introduce compulsory membership in BIAs (Projekt ustawy o izbach 2016). The government’s new regulatory and ownership policy changes corporate governance rules, adversely affecting the entire economy, including the private sector. There has been an increase in the manual control and politicization of the public sector, weakening the role of market criteria in decisions. Large state monopolies are being rebuilt with unclear interdependencies, thereby increasing the uncertainty of business conditions. Instead of internationally-recognized corporate governance practices in state-owned companies, the importance of meritocracy is declining; on the other hand, the role of political rent and of business interest groups that take advantage of companies for the benefit of the political elite, the expansion of the social backing of the government, and the creation of clientele relationships are increasing. Their manifestation is, among other things, leading

13 There have also been symbolic manifestations of the changes: Jarosław Kaczyński and Viktor Orbán were awarded the title “Man of the Year” at the Business Forum in Krynica in September 2016.
to the subsidization of unprofitable state-controlled companies by other state-owned companies, the acquisition of shares in energy companies by state-owned companies, the financing of unprofitable coalmines by energy companies, as well as the commissioning of services by selected companies and sponsorship agreed with the power elite (Blaszczyk 2016: 550-551).

CONCLUSION

In post-socialist CEE models of capitalism are emerging that in many aspects significantly differ from the capitalism of other EU countries. Some VoC research finds that the characteristics of such regimes often go beyond the dichotomy of LME and CME and are new variants of capitalism – such as embedded neoliberalism and dependent market economies. Due to the dominance of the state in the system of representation of interests, and the leading position of foreign capital in the economy, the common denominator in CEE is the weakness of domestic business classes and BIAs. This phenomenon can also be interpreted as an indicator of an early stage of development of an important segment of the social structure and civic society in the region. Analysis of the role of business classes and especially BIAs in Poland highlights the problems that occur (or may occur) in other countries of the region.

Recently, these issues have become important due to the rise of populist tendencies in CEE, whose governments are exemplified by Hungary since 2010, and Poland at the end of 2015. Polish BIAs have been regarded as weak due to the pluralist mode of interest group interaction with the government and their fragmentation, which is making it difficult for them to establish commonalities of interest and to mobilize clientele. Their density rate is very low, among the lowest in the EU. They are not conducive to the consolidation of business classes. This situation has arisen due to issues of historical, social and structural legacy, as well as ownership and capital conditions. However, the most significant limit on the importance of BIAs has been played by the “etatisation of liberalism”, which after the change of regime allowed the political class to marginalize employee representation during the period of market reform. Such “structural creationism” favored the kind of non-cooperative behavior that was characterized by Olson in a discussion of “free riders”.

In such conditions, corruption-prone links to “political classes” and “business classes”, as well as a new model of the “party state” have been created. BIAs are also weakened by various class and social divisions at different periods. The success of PiS, a party which is a mixture of anti-establishment populism and
radical right-wing tendencies, is a test for the Polish economy and theoretical conceptualizations such as the model of “embedded liberalism”. The election result proved that neoliberalism in Poland is not so deeply “embedded” as was believed. In only two years of the new government, changes in political institutions and a new social policy aimed at building a voter base were promptly implemented. The rule of PiS is thus also a test for the institutions of the liberal middle classes and those BIAs that came into being after 1989, opening up great uncertainty regarding the direction of state development, the shape of democracy, and the model of capitalism.

Discrepancies in the evaluation of government policy are related to the controversies around the model of the state in Poland, which generally refer to two visions of democracy: liberal, and etatist. The approach of the PiS government to institutions and to economic policy is closer to the etatist concept of the state. The radical, national and “revolutionary” rhetoric and activities of the government evoke varied reactions in the business classes and BIAs. PiS’s economic strategy is based on increasing the role of the state in the economy (“state capitalism”), and can be seen as an attempt to respond to the limitations of the development of Poland, as critically described in the DME model. Business classes are pragmatically oriented towards the government and avoid political dispute. However, since the largest of them are in many respects critical of government policy, they prefer contacts with other BIAs. What results is a change in the channels of access and in the type of economic actors that enter into close relations with the government. Attempts to create an “alternative” organizational and social structure are being undertaken. The effectiveness of these may depend on the duration of the PiS government. If the party continues in power for another term, permanent changes in the system of representation of interests may become a reality. In the foreseeable future, polarization in business classes and in BIAs politically conditioned by an apologetic or critical attitude towards the government is likely to increase.

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