

Poland still leads the way

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2010-02-01

Another quarter, another bright green Poland on a red map of Europe. Another quarter of hearing the government's top brass spell out their recipe for success.

And another occasion when I just can't believe what you can get away with in the world of rhetoric. Or perhaps an occasion to be amazed at how hermetically sealed Polish news is from the west. Does anyone west of here know what is being said here about their money?

I refer to the government's quarterly tradition of showing GDP growth rates for Europe and showing Poland as the lone bastion of lingering growth that has fended off the global recession. They've had to adjust their methodology a bit along the way to make sure that Poland gets the continent's only green, but the fact remains: Poland is the only nation not to have fallen into recession.

I usually enjoy the festivities and the display. Prime Minister Donald Tusk and Finance Minister Jacek Rostowski are good at this. Tusk's specialty is staying above the fray of politics, weaving touches of long-term vision into a concern for the day to day life of the average Pole. Rostowski is a bit sharper edged, the sage who first lays out the philosophy, then attacks the opposition for not having previously (or still) seen the light.

In this case, the Rostowski argument is this: when the rest of the world addressed the global crisis through massive government spending, fiscal stimulus to reheat a plunging economy, Poland went the other way. Poland plotted out PLN 20 bln in budget savings. When the opposition was crying for cash, Rostowski came back with the scissors. And the green Poland on the Red Europe is supposed to tell the story: Poland's austerity worked and Europe's spend-a-thon didn't. Rostowski makes the case straight out: all the west got for their fiscal stimulus, he notes, is debt burden, not heady growth.

And when I hear that argument, I like it. I've been covering Polish fiscal policy and debt markets for ten years. I know the effort it takes to reign in deficits. I

remember the occasions when rising deficits spooked investors and drove up Polish yields. I've seen the days when government borrowing seemingly forced a lot of good businesses off the market.

The list of things Poland has done right and the list of Poland's successes during this more recent crisis is a bit longer, and Tusk and Rostowski are happy to spell it out. A lot of it has me nearly cheering.

But I would just be a bit more comfortable if the list of things done right didn't include Poland's improving efficiency in absorbing EU funds for infrastructure projects. When spending money from Berlin and Paris is a driver of economic growth, I get nervous about that prior argument concerning the uselessness of fiscal stimulus. Likewise the occasional naming Poland's thriving auto industry as an example of success makes me squirm a little. Does Rostowski take his anti-stimulus views to Berlin to lecture his German counterparts? You know, the guys who signed off of the German cash-for-clunkers program that sent Germans storming over the border to buy cars cheaper in Poland; the program that increased demand for the small and mid-sized cars that most frequently roll off of Polish manufacturing lines.

Let's not even think about the money farmers get from the EU or what the French would say.