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Poland's Development Model at a Crossroads: Institutions, Investment, and the Limits of Catch-Up

The Polish economy stands at a crossroads: on the one hand, it has achieved spectacular success and drawn closer to the economic core of the West than ever before. On the other, its current sources of growth are wearing thin. A transition is necessary—from export-oriented industrialization based on low labor costs, to a more innovative, capital-intensive economy underpinned by a substantially higher rate of investment. Experts at the International Monetary Fund aptly captured this challenge in one of their recent reports: "After two decades of impressive convergence, Poland's growth model needs to adjust to a new economic landscape" (IMF, 2025).

Recent economic research suggests that long-term development requires a balance between a strong state and a robust civil society, as reflected in Acemoglu and Robinson's concept of the *narrow corridor*. It also requires an environment conducive to creative destruction—one that fosters economic freedom above all, but also freedom in political life and the marketplace of ideas (see, e.g., the works of J. Mokyr, the 2025 Nobel prize winner in economics). Finally, it requires a state that understands that the opportunity to catch up with the wealthy countries of the West—perhaps presenting itself for the first time in centuries—calls for a radical increase in investment in science and human capital. Poland's spectacular achievements in education, and the economic progress associated with them, cannot be taken for granted going forward: they remain highly contingent on the quality of the education system, particularly at the tertiary level.

At the same time, the debate on Poland's future development model cannot be reduced solely to macroeconomic stabilization, investment rates, or technological modernization. What is ultimately at stake is the long-term international competitiveness and resilience of the Polish economy in a rapidly changing global environment. Sustainable development requires balancing efficiency with social cohesion, market dynamism with institutional stability, and individual aspirations with responsibility toward future generations. This broader perspective underlies the idea of an "economy of moderation"—an approach emphasizing that long-term prosperity ultimately depends not only on the scale of consumption or production, but also on the quality of institutions, social trust, human capital, and the capacity of societies to pursue development sustainably and responsibly (Gorynia, Śliwińska, 2024).

An Economic Miracle but Dark Clouds on the Horizon

Professor M. Piątkowski is undoubtedly right in stating:

"Poland has become Europe's growth champion. Its real GDP per capita increased by almost two and a half times, more than in any other country in Europe. Adjusting for differences in purchasing power, GDP almost tripled, from around $10,300 in 1990 to close

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to $27,000 in 2017 (in constant 2011 international dollars). (...) Poland has also grown faster than all comparable countries in the world with a similar level of income. Poland has beaten even the Asian tigers such as Singapore, Taiwan, or South Korea. It has grown without interruption since 1992, registering Europe's longest growth spurt ever and one of the longest economic expansions in the world's history" (Piątkowski, 2018).

Our economic success stemmed from a successful yet socially costly political transformation from socialism toward a market economy; the integration of Polish companies into the EU single market and global supply chains; and the country's deeper integration into the European project as a whole. All of this was possible, in part, because the population was relatively young and well-educated, energy was cheap and abundant, and there was consensus among elites on the general direction of economic policy.

To provide a concrete example of the development model of the Polish economy in recent decades, it is worth mentioning that between 1995 and 2013, labor productivity in Poland grew much faster than the median real wage, and this gap was the largest among all OECD countries (the so-called wage—productivity decoupling) (OECD, 2018). Moreover, exports as a share of GDP have nearly doubled since 2004. That is already a thing of the past: such a spectacular increase in productivity in relation to wages will never be repeated, nor will such an increase in exports.

The next stage of development requires a transition toward competitiveness based on innovation, knowledge, institutional quality, and the capacity to create rather than merely absorb technology. In this context, resilience becomes as important as efficiency. Economies overly optimized for short-term efficiency often prove vulnerable to external shocks, whether geopolitical, demographic, technological, or energy-related. Poland therefore faces the challenge of building a development model capable not only of generating high growth but also of maintaining strategic adaptability under conditions of deep uncertainty.

This also implies a new role for Polish enterprises in the global economy. In the past, the internationalization of the Polish economy was driven primarily by exports and inward foreign direct investment. Today, however, long-term convergence increasingly depends on the ability of Polish firms to undertake outward expansion, develop their own technologies, brands, and organizational capabilities, and move from the position of subcontractors to that of co-creators and coordinators of international value chains. A mature market economy cannot remain permanently dependent on external sources of innovation and capital accumulation.

We should also note that this spectacular growth of the Polish economy was stable and did not create significant inequalities (Brzeziński et al., 2024). The picture is now becoming less favorable. This is important because inequality becomes more harmful to growth as growth becomes increasingly dependent on human capital (see, e.g., Oded, Moav, 2004). As recently documented, returns to education have increasingly diverged between high-skill urban workers and low-skill rural populations, and intergenerational mobility—once one of the more encouraging features of the post-1989 transition—is showing signs of weakening.

Moreover, we would like to draw attention to an important process that may undermine the growth potential of the Polish economy, namely growing political polarization. According to the V-Dem index, with a score of 3.98 Poland is the most politically polarized country in the European Union.[1] Why does this matter? First, polarization raises the variance of future economic policy, and investors discount that variance. Second, polarized democracies systematically produce inferior fiscal outcomes, particularly when political parties cannot agree on who should bear adjustment costs: fiscal stabilization is then delayed until one side capitulates. Poland is clearly exhibiting this pattern—a budget deficit of 7.2% of GDP in 2025 while the economy is growing at its potential is an alarming signal. Third, polarization reduces the scope for crafting sound public policies in areas where a consensus-based approach is particularly important. Fourth, polarization makes the socio-economic system more vulnerable and less resilient.

Another major challenge lies in the area of new technologies—both in terms of infrastructure, which is being weaponized in the struggle for dominance, and, above all, in the realm of software. The total market capitalization of all companies included in the WIG-IT index currently does not exceed USD 6 billion, which is only a fraction of the value of individual global industry leaders. The collection and processing of data using the infrastructure of global monopolists pose a serious problem for Poland's digital sovereignty and may become a key constraint on its development potential in the near future.

Last but not least, Poland faces one of the most severe demographic crises in the European Union, with a fertility rate that has fallen close to 1, among the lowest in the world. The country is projected to lose between 4 and 7 million inhabitants by 2050, with the working-age population shrinking dramatically relative to a rapidly expanding cohort of retirees—a

[1] The index ranges from 0 to 4, where 4 indicates extreme polarization, https://ourworldindata.org/grapher/political-polarization-score.

trend that places extraordinary pressure on the pension system, public health care, and long-term fiscal sustainability. Moreover, an aging society is one in which political preferences shift toward political parties that prioritize stimulating consumption and transfers for the elderly at the expense of policies that can strengthen the long-term foundations of development. In such a situation, rapidly increasing labor productivity by substituting capital for labor becomes essential.

We are not writing this to scare our readers. We are aware that the Polish economy has significant adaptive potential and we expect that it will naturally move toward a new development model as a result of underlying endogenous structural dynamics. Consequently, we do not advocate imposing a new development model from above because it will largely occur on its own. Rather, we believe that it should be facilitated by sound public policies that can further increase the benefits of this new model. Nevertheless, we believe our role is to highlight not only the challenges we face but also the path forward, as discussed in more detail below.

The way forward—the Poznań Declaration

Economists have much to say about the new model of development for the Polish economy and can serve as partners for those in power, regardless of their political affiliation, in the wise modernization of Poland. Moreover, the Polish economic community has always been willing to fulfill this role and has often done so successfully, to mention only the outstanding economists involved in Poland's reconstruction after 1918 and those instrumental in the post-socialist transformation and the process of European integration.

Such a discussion took place at the 2025 Congress of Polish Economists in Poznań, where participants noted that the Polish economy today faces the need to redefine its strategic development priorities amid escalating geopolitical tensions, energy and demographic crises, and rapid technological progress. The Congress's shared message was a call to rebuild trust in public institutions, strengthen the role of science in shaping economic policy, and restore the idea of a social market economy as the foundation for the country's long-term and sustainable development, in accordance with Article 20 of the Constitution of the Republic of Poland.

In this sense, Poland's future development model should be seen not merely as an economic adjustment, but as a broader search for a new balance between market forces, the state, civil society, and the strategic interests of long-term development. That is why we are writing here about a new development model rather than just a new growth model.

As a result of the extensive debate at the 2025 Congress of Polish Economists in Poznań, a set of key proposals was formulated, outlining courses of action for policymakers, academics, and the economic community. Their implementation could contribute to enhancing the resilience of the Polish economy, strengthening its competitiveness, and ensuring social well-being in the spirit of intergenerational solidarity. The following proposals were adopted by acclamation by the Congress participants:

1. Building trust in institutions and strengthening the social market economy

Sustainable development requires rebuilding trust between citizens, businesses, and the state. The foundation of economic policy should be the constitutional principle of the social market economy—combining efficiency and solidarity.

2. Creating a long-term strategy for Poland's economic development

Poland needs a coherent economic strategy based on knowledge and sociopolitical consensus, ensuring institutional stability, regulatory predictability, and resilience to geopolitical and macroeconomic shocks.

3. Ensuring security

Building Poland's stable international position requires ensuring not only military security but also security in terms of technology, raw materials, and energy.

4. Effectively addressing demographic challenges

Long-term economic development requires ensuring demographic stability and an adequate response to population aging—taking into account changes in the demographic structure, age management in enterprises, support for the development of the silver economy, and a responsible migration policy.

5. Strengthening the stability of public finances and fiscal responsibility

It is essential to reduce the risk of excessive debt, restore fiscal rules, and increase the transparency of public spending, particularly that allocated to financing the energy transition and investment in housing infrastructure and public services, as well as spending related to population aging and defense.

6. Supporting a responsible green transformation

Consistent investment in environmentally friendly technologies that reduce the economy's emissions and increase its energy efficiency should be pursued. At the same time, the green transformation must be conducted responsibly to avoid undermining the competitiveness of the Polish economy.

7. Promoting and implementing the principles of an economy of moderation

Overcoming the global crisis of unsustainable development requires a shift from the dominant model of individual rationality to a holistic approach focused on the survival of civilization. This transformation should be grounded in ethical and cultural change that enables the introduction of mechanisms promoting moderation and responsibility at the individual, institutional, and global levels.

8. Accelerating digital transformation

Poland has the potential to become a regional leader in artificial intelligence. Public authorities have a responsibility to support the digital transformation of the economy, public administration, and public services while respecting citizens' rights.

9. Supporting entrepreneurship and innovation as the pillars of a resilient economy

Barriers to business activity must be eliminated, and the protection of private property must be strengthened. It is essential to create conditions conducive to the development of innovation ecosystems, start-ups, and family businesses, as well as to support intergenerational succession and collaboration between academia and business to enhance the productivity and global competitiveness of Polish enterprises.

10. Developing economic education and future skills

Economic education—from school to university—should be treated as a strategic public investment. It is essential to develop digital, financial, and entrepreneurial skills and to foster critical thinking in the spirit of social responsibility.

11. An open and informed debate about Poland's place in the European Union

It is essential to renew an informed debate on Poland's accession to the eurozone, its active participation in EU industrial, climate, and digital policies, and its role in shaping the future of the European Union.

We have called these eleven postulates the Poznań Declaration. It constitutes an invitation to cooperation between academia, public administration, business, social organizations, and the media with a view to building a modern, competitive, and solidarity-based economy capable of meeting the challenges of the coming decades. However, as we have argued above, our proposal should not be understood as a call to impose a new development model from above but rather as an effort to facilitate its largely natural emergence. We hope that these postulates will foster an informed debate—it is worth choosing economics over political and ideological polarization. Therefore, in this special English edition of the Bulletin of the Polish Economic Society we present a variety of opinions regarding the future of Poland's development model. We thank all the participants for accepting our invitation and for sharing their insights.

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