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From Economic Growth to Wealth

Forty years ago, my parents decided to move back from the Federal Republic of Germany to Poland. The gap in living standards between Munich—where I attended kindergarten and the first year of primary school—and Warsaw was striking even to a child. Today, my six-year-old son would hardly notice much difference. He might, at most, observe that many of the brands he knows from Poland belong to German companies; he would find it much harder to spot Polish brands in Germany.

What I have described anecdotally can also be read in the statistics. The second half of the 1980s brought economic decline to the Polish People's Republic and growth to West Germany. Economic reforms in Poland began in 1988. Their initial effects were hardly encouraging; the first positive changes became visible toward the end of 1992. Over the last three decades, Poland's gross domestic product (GDP) has grown more than 3.5 times as fast as Germany's, while its gross national income (GNI) has grown 2.5 times as fast.

The difference between the two measures is as follows: GDP is the sum of value added generated within an economy, whereas GNI is the income earned by a country's residents, including income earned abroad. Put simply, GDP tells us where production and services take place; GNI tells us to whom the income flows. GDP dynamics matter enormously. After the so-called shock therapy of the late 1980s and early 1990s—when unemployment in Poland exceeded 15 percent and, on the eve of EU accession, stood at 20 percent—GDP growth was crucial for job creation. For almost a decade now, however, unemployment has hovered close to its natural rate. Under such conditions, it is GNI that moves to the fore. In other words, how do we effectively convert economic growth into wealth?

To answer this question, I set out to identify the countries that have been effective in converting GDP growth into high levels of national income per inhabitant. Figure 1 plots 200 countries and territories along two dimensions: average real GDP growth from 1988 to the most recent observation available in the World Bank database and the natural logarithm of GNI per capita in constant international dollars (PPP).

For further analysis, I selected the countries whose economic growth averaged at least 3 percent per year and whose gross national income per capita exceeded USD 14,000 at 2021 prices. This produced a list of 43 economies.[1] Not all of them can serve as inspiration for Poland's economic model; ultimately, I chose only fifteen.[2] I decided against studying economies that are...

- ...relatively small, e.g., Aruba, Bhutan, Macao, the Maldives, the Seychelles, and the Turks and Caicos Islands;
- ...largely dependent on resource rents,[3] e.g., Equatorial Guinea, Gabon, Guyana, Kuwait, Mongolia, Qatar, Saudi Arabia, and Turkmenistan;
- ...moderately diversified, with resource or geographic rents as the original source of their development, e.g., Botswana (diamonds), Chile (copper) and Paraguay (agriculture, hydropower), as well as Egypt and Panama because of revenues from the Suez and Panama Canals, respectively;[4]

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[1] Aruba, Bahrain, Bhutan, Bosnia and Herzegovina, Botswana, Chile, China, Colombia, Costa Rica, Cyprus, the Dominican Republic, Egypt, Equatorial Guinea, Gabon, Guyana, Indonesia, Ireland, Israel, Kosovo, Kuwait, Luxembourg, Macao, Malaysia, the Maldives, Malta, Mauritius, Mongolia, Oman, Panama, Paraguay, Poland, Qatar, Saudi Arabia, the Seychelles, Singapore, South Korea, Sri Lanka, Thailand, Türkiye, Turkmenistan, the Turks and Caicos Islands, the United Arab Emirates, and Vietnam.

[2] Bahrain, China, Cyprus, Ireland, Israel, Luxembourg, Malaysia, Malta, Poland, Singapore, South Korea, Thailand, Türkiye, the United Arab Emirates, and Vietnam.

[3] I relied, among other sources, on the variable *Total natural resources rents (% of GDP)* from the World Bank database.

[4] Indonesia is a borderline case: its economy is undergoing profound change, but historically the country benefited heavily from commodity exports (agricultural products, coal and, more recently, nickel) and from a substantial demographic dividend. Another special case is Costa Rica, which derives many advantages from its geographic, economic and political proximity to the United States—conditions

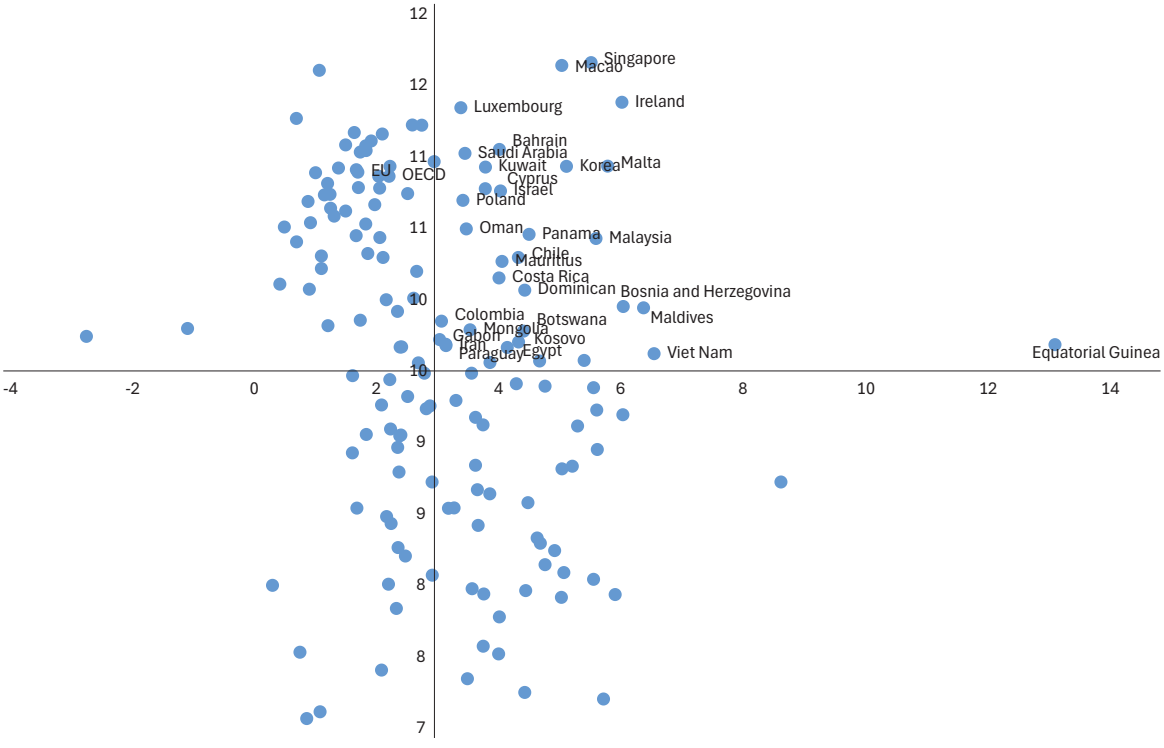


Figure 1. Average real GDP growth, 1988—most recent available year, versus the natural logarithm of GNI per capita at PPP (constant international dollars). Source: author's calculations based on the World Bank's World Development Indicators.

- ...reliant on remittances from their diasporas,[5] e.g., Bosnia and Herzegovina, the Dominican Republic, Kosovo, and Sri Lanka;
- ...characterized by a significant share of illegal activity in their national income.[6]

I examined the remaining countries thoroughly, asking whether elements of their economic models could inspire Poland. The wealthiest of them in terms of GNI per capita is Singapore. It owes its success, among other things, to its location and port infrastructure, the quality of its public administration, and its role as a financial center. It also has a very strong education and research base—with the National University of Singapore (NUS) at its heart—and a skillfully managed sovereign wealth fund. The success of NUS grew out of a combination of several factors: strong state support, a heavy emphasis on research, the recruitment of the best academics and an international approach to education. NUS built its advantage by focusing on quality and interdisciplinarity, attracting top researchers from around the world, and linking science with innovation and entrepreneurship.

Next on the list are Bahrain, Cyprus, Ireland, Luxembourg, Malta, and the United Arab Emirates (UAE). For all the differences between them, these relatively small states are highly effective intermediaries: all have built excellent infrastructure for the world's rich and powerful. What is striking is the complementarity of their institutions, particularly business-support systems and tax policy. Ireland has bet on multinational corporations, offering them well-educated workers fluent in English. The real magnet, however, is low corporate income taxation, with scope for individual negotiation. As *The Wall Street Journal* reported on July 1, 2026, based on Microsoft's new country-by-country disclosure, the company employed 6,654 people in Ireland and reported USD 47 billion in pretax profits there, compared with 3,471 employees and USD 661 million of pretax profit in Germany. Pretax profit per employee in Ireland is thus 37 times as high as in Germany. Differences in productivity can hardly explain this phenomenon; a far more likely explanation is profit shifting.

The UAE adopted a different model of intermediation. The oil wealth of one emirate—Abu Dhabi— was

difficult to replicate elsewhere. Ultimately, I removed both countries from the list.

[5] The criterion: remittances (as a share of GDP) "significantly" above the world average.

[6] In my sample this concerned Colombia, whose GNI per capita exceeded the cutoff only marginally. Drawing on estimates by Colombian economists of the contribution of drug production and exports to GDP, I adjusted its GNI downward by 4.75 percent, which disqualified Colombia from the study.

channeled into the development of other sectors of the economy. The strategy proved effective because Dubai was simultaneously developing into a logistics hub for goods and passengers. Zero public levies in free zones allowed profits to be made on re-exports and attracted the wealthy as well as talented professionals. On top of that, Dubai offers a commercial-law system compatible with British law, a local currency pegged to the US dollar, high political predictability (in the absence of democracy) and world-class infrastructure. Over time, the largest cities of the UAE became financial centers, although another state on the list—Bahrain—achieved greater success in this field, becoming the region's banking hub. Oil revenues and their reinvestment in other industries, such as aluminum smelting, naturally helped build that banking center.

Cyprus, Luxembourg, and Malta (CLM) could not rely on resource rents, nor did their historical craft skills translate into a significant industrial base. What drove their wealth was services, including financial services.[7] All three belong to the European Union and the euro area. Far-reaching harmonization of financial market regulation has not prevented CLM from creating opportunities for regulatory, tax, and institutional arbitrage: in selected niches, each of these countries implements and applies EU law in a highly business-friendly manner. Add low taxes and a highly developed ecosystem of supporting institutions; access to top-class specialists and considerable organizational and technological sophistication complete the picture. One illustration: in Luxembourg, an issuer relying solely on provisions pre-authorized by the local market supervisor can place bonds on the public market within about an hour. Other market segments look similar—"99 percent of all securities listed in less than two days." As a result, the Luxembourg Stock Exchange has over 1,700 issuers (twice as many as its Warsaw counterpart) and more than 54,000 listings. Malta, in turn, has bet on the crypto-asset market, and Cyprus on investment funds.

South Korea and Israel have GNI per capita only slightly higher than Poland's. Both countries deserve a closer look: they have remained in a state of war for decades[8] and over that time have made enormous economic progress without resource rents and without access to a large market of the kind created by the European Union. Most commentators attribute their success to the effective development and export of advanced products and services. The capacity to build a technological advantage is commonly attributed to access to a large pool of talent, particularly people with an aptitude for STEM. PISA mathematics results for students from the Republic of Korea support this view; the case of the State of Israel is entirely different—its students score below the OECD average in mathematics. The differences do not end there. Israel's economic model has been superbly described by Dan Senor and Saul Singer in *Start-up Nation*, and Korea's by *The Economist* correspondent Daniel Tudor (2018). What impressed me most is the multifaceted planning behind the international expansion of Korean products, with a time horizon measured in decades. For Korean decision-makers, everything begins with systematically shaping Korea's image in the world: from the export of culture and pop culture to the sale of technologically advanced solutions. The capacity of public institutions to coordinate activities across domains and at multiple levels is impressive. The capacity for public—private cooperation—even if at times it may breed cronyism—is also part of Korea's strength.

The economic model of the State of Israel is radically different. Historically, it rested on the support of a large and influential diaspora. Over time—and with the influx of immigrants from the former Soviet Union—spontaneously emerging technology firms rooted in the local community and the diaspora became the economy's driving force. Government programs, such as the famous Yozma, supported the ecosystem but did not determine its success. This can be seen in attempts to implement analogous policies in other countries: they do not produce the same results as those achieved in Israel.

What, then, do Israel and Korea have in common? Substantial investment in building their own defense capabilities. Over the past five decades, both countries have evolved from recipients of military technology into producers and exporters of some of the most advanced weapons systems. Different roads lead to wealth—and to the durability of the state.

I have left for last the countries whose GNI per capita is still lower than Poland's but which have unquestionably achieved economic success over the past four decades: China, Türkiye, Malaysia, Vietnam, and Thailand. They differ in terms of their political systems, cultures, and histories, yet from an economic point of view they share several very important features. In short, they followed the recommendations of Friedrich List. List criticized the classical liberalism of Adam Smith and David Ricardo as a doctrine benefiting primarily countries that had already industrialized. He argued that economically backward states should first develop their own "productive forces" and only then open up to full international competition. In practice, this meant:

- protection of infant industries,
- an active state industrial policy,
- investment in education and infrastructure,

[7] Cyprus and Malta have also developed tourism services.

[8] Taiwan should probably be added to this group, but the availability of comparable statistical data is limited.

- selective opening to foreign trade,
- support for exports.

It is this model that allowed all the countries listed to move from low-income status to the middle- and upper-middle-income groups, with GNI per capita now in the low tens of thousands of dollars a year. The question is to what extent a member state of the European Union can draw on these patterns.

Before I offer a summary and sketch an economic model for Poland for the years ahead, one caveat is in order. The main threat to Poland's development—perhaps even to its independence—is its dire demographic situation, succinctly summarized by Professor Nicholas Eberstadt in an essay published by the American Enterprise Institute (Eberstadt, 2026). Let me quote a single figure: the number of live births in Poland today is barely 30 percent of that recorded seven decades ago. Reversing this trend will require measures reaching well beyond economics.

The Executive Board of the Polish Economic Society has asked contributors to propose an economic model for Poland for the coming years. Having analyzed the fourteen countries on my list other than Poland—countries that have achieved considerable success in converting economic growth into wealth—I propose four strategic directions. I illustrate each with an example of a public policy that could bring us closer to the goal in question.

1. Securing the durability of the state is a powerful incentive for innovation and for deepening vertical integration in supply chains. Defense spending should be directed toward building local capacity and testing new domestic solutions. Mentally, we should proceed on the assumption that in defending our homeland we can count only on ourselves; Israel and Korea, among others, follow a similar doctrine.
   Example policy: defense-related enterprises should be exempt from excessive burdens—for instance, the costs associated with the EU Emissions Trading System (ETS).
2. A complementary measure to point 1 is an active industrial policy; in many respects, Türkiye can serve as an example.[9] Political and economic elites must ensure that such a policy is not constrained by excessive regulation coming from Brussels.
   Policy (example): small and medium-sized enterprises are already exempt from a range of burdensome and costly regulations; industrial firms should be allowed to qualify for the same category until their revenues reach one billion zlotys (roughly EUR 235 million).
3. Education geared to the current needs of the economy should be separated from the development of resources for the future.
   For example, the former should take place in a dual system, so that young people combine work with education, beginning as early as secondary school. Keeping them outside the labor market serves students poorly and wastes economic resources, a particularly painful loss given Poland's demographic situation.
   The most talented, regardless of their parents' financial circumstances, should be offered world-class education at universities with internationally recruited research and teaching staff. Singapore's approach may serve as an inspiration.
4. We should actively seek a niche that will attract global holders of capital.
   For example, the Polish family foundation regime could be complemented by additional measures designed to make Poland the best place for the intergenerational transfer of wealth. This will certainly require improvements in dispute resolution and a sustained effort to build Poland's reputation as a country with stable legislation and effective enforcement of rights.

The four directions outlined here are complementary and mutually reinforcing. A world-class university and a dual education system serving the needs of the economy will strengthen Poland's economic potential and its attractiveness to holders of capital. Expanding the industrial base for defense purposes will stimulate other sectors of the economy as well—improving, in turn, the prospects for implementing innovations developed in world-class laboratories. The working conditions and the opportunity to see one's research applied will attract the most talented scientists from around the world...

All it takes—and it takes nothing less—is the courage to set this system in motion.

References

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[9] With certain caveats, China and South Korea can serve as examples as well.