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Who Pays? Distribution, Discipline and Lessons for Poland's Development

Poland does indeed need a new development model, but not only because dependence on foreign capital is reaching its limits. Although the existing model delivered impressively sustained GDP growth, it was always far from flawless, particularly given the social costs borne up front and the lopsided political economy it created, with international capital constraining domestic democratic politics. Regaining some domestic agency was therefore important even before Poland encountered the economic and geopolitical limits of dependent development.

> However, the economic debate over a more internally oriented development drive and at least its partial repoliticization has, in my opinion, never openly addressed some of the crucial problems involved in changing Poland's model.

Many critics worry that such a change may fail to overcome the corruption and myopia of the political class, but the deeper problem is that development successes, conventionally measured almost invariably in terms of material production, have time and again been achieved through the exploitation of workers, peasants, or colonized populations. I am afraid that a debate focused on GDP and the mirage of national economic power has conveniently lost this thread.

Development has never been only about resource mobilization

Development brings costs. This is a case of every major transformation. It is crucial, however, how these costs are defined, who bears them, and who benefits from the resources accumulated along the way. A higher investment rate can be governed collectively, for example, through progressive taxation, but also by compressing wages and household consumption, weakening public services, dispossessing people of their means of subsistence, or transferring public resources outright to private owners. These paths may temporarily yield similar investment rates, but they create very different trajectories of political economies that sustain them.

Marx's account of so-called primitive accumulation vividly placed this problem at the beginning of European capitalism. Enclosures separated people from the land, while at the same time colonial expropriation, slavery, and outright plunder supplied resources from abroad (Marx, 1976). In the United States, territorial expansion turned dispossessed Indigenous land into private property, and source of rent. The Homestead Act alone transferred 270 million acres, 10 percent of the country's land area, into private hands, while a recent reconstruction estimates an aggregate 93.9 percent reduction in the historical land base of Indigenous nations (Farrell et al., 2021; National Park Service, 2018). This land became a source of wealth and political power for some because it had first been taken from others.

> Paul Baran used the term "internal colony" for a less spectacular but related mechanism: in Meiji Japan, the countryside supplied industrial capitalism with surplus extracted from peasants, while industrial wages remained near subsistence levels (Baran, 1957).

Japan prefigured the later Asian Tigers. For decades, South Korea's export drive also relied on authoritarian labor control, weak independent trade unions, and wage restraint. Wages rose after democratization in 1987, showing that the earlier distribution of gains was political rather than technologically necessary (Deyo, 1989; Minns, 2001), yet a workfare regime persists, combining some of the longest working hours in the developed world—consistently longer than Poland's—with one of the OECD's lowest ratios of private consumption to GDP. It is no accident that

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China's economic rise has been accompanied by similar tendencies.

By invoking these histories I do not wish to equate contemporary Poland with a colony or shock therapy with territorial conquest. To my eyes, the family resemblance lies in the use of the mirages of future development to justify an unequal distribution of present costs. Those bearing them had little influence over the direction of change, while ownership and decision-making power accumulated above them and outside their communities. Replacing foreign beneficiaries with domestic ones changes where profits flow without necessarily changing this relationship, at least for workers who are overworked and increasingly unable to afford a decent apartment where the jobs are.

A low road and a high road to development in an open economy

Thirlwall's law states that the long-run growth rate compatible with balance-of-payments equilibrium is approximately equal to the rate of export growth divided by the income elasticity of demand for imports (Thirlwall, 1979). An economy whose imports rise rapidly with domestic income cannot continuously grow faster than the demand for its exports without accumulating external debt and financial risk. Absent major restructuring, this places a strict limit on sustainable consumption growth. At the same time, high wage growth may undermine export competitiveness, especially when this is not offset by policies that compress high profit margins and rents. Robert A. Blecker, whose recent death is a major loss to heterodox economics, provided a useful way of analyzing this problem within a Kaleckian framework (Kalecki, 1954). Let ω denote the wage share. The effect of redistribution on demand can be written schematically as follows:

$$dY/d\omega = dC/d\omega + dI/d\omega + dNX/d\omega.$$

Higher wages normally increase consumption because workers spend more of an additional unit of income, but may weaken investment through lower profitability and reduce net exports through higher unit costs. The latter effect depends on the price elasticities of demand for imports and exports captured by the Marshall—Lerner condition.

> If higher consumption is import-intensive, some additional demand leaks abroad through an income channel.

When these negative effects outweigh the former, an export-led economy becomes profit-led: foreign demand replaces the domestic demand limited by wage restraint (Blecker, 1989), making the suppression of consumption compatible with rapid GDP growth and perhaps even seemingly necessary to sustain it. This contradiction lies at the heart of the Asian Tigers' growth model. It also creates an internal political economy geared toward external surpluses and, under these conditions, a beggar-my-neighbor stance in trade relations (Robinson, 1937). Wage restraint can redistribute demand between countries, but not all of them can expand through surpluses simultaneously. Conversely, a national wage-led expansion may encounter an import constraint unless productive capabilities change.

This is a low road to development, even before we consider that higher profits do not guarantee productive or socially useful investment but may instead finance luxury consumption, property purchases, and financial asset accumulation among those at the top—a possibility Blecker (2016) later explicitly recognized. A high road requires domestic demand and structural change, as well as European coordination. Otherwise, each government retains an incentive to seek advantage by restraining the consumption and bargaining power of its own population.

> Evidence from Central and Eastern Europe suggests that a pro-labor shift need not destroy export competitiveness. In a study of 11 countries over the period 1995–2022, Maciej Grodzicki and I identify a post-crisis shift in the distributive cycle: labor-force utilization rose from around 86 to 90 percent, the wage share from 45 to 57 percent, and productivity relative to the EU core from 51 to 53 percent.

Technical upgrading made exports less sensitive to labor costs, allowing wages and employment to improve without dislodging the region from European production networks (Grodzicki and Możdżeń, 2025). In Blecker's terms, structural change weakened the negative response of net exports to a higher wage share.

This amounts to a partial move toward the "high road to development", on which non-price competitiveness allows higher wages to coexist with strong exports (Milberg and Houston, 2005). Yet the shift remained within dependent, export-led growth: the region still relies on foreign demand and transnational capital, while the positive feedback from wage pressure to technical change weakened after the crisis. Poland therefore does not have to compete through low wages, but neither technological upgrading nor domestic capital accumulation will produce a high

road by itself. The outcome depends on labor's claim on the surplus, the conversion of profits into productive capabilities, and the state's willingness to discipline capital. This remains difficult where around 4 percent of GDP goes to foreign profits and only part of it is reinvested. The GDP–GNI gap leaves residents with a smaller pie and tightens the external constraint on the domestic investment drive. It matters whether that drive is financed by putting the savings of the richest to better use or by reducing workers' wages and consumption.

Poland has already paid twice

Let's be clear. Poland's post-1989 convergence is real and impressive, but its costs were very high and lopsided. The first transition shock reduced workers' real incomes by around 29 percent between 1989 and 1993. A second episode of austerity followed in the early 2000s: by 2002 unemployment picked at 20 percent and youth unemployment surpassed 40 percent, while by 2004 a quarter of young workers held fixed-term contracts (Żuk and Żuk, 2022).

> In the wake of EU accession, the wage share of GDP dropped by almost 10 percentage points, an unprecedented fall. Mass migration then provided an emergency safety valve, reducing pressure on the labor market and domestic political conflict while supplying Western Europe with relatively cheap labor.

These two austerity episodes helped create a dependent market economy in which capital, technology, and access to markets were supplied by the means of foreign direct investment. The same process, however, also placed important decisions within transnational corporate hierarchies (Nölke and Vliegenthart, 2009; Bohle and Greskovits, 2012). Dependence remains substantial, with a high and persistent stock of inward FDI and correspondingly large returns repatriated abroad.

> The danger I perceive is that frustration with the existing model will produce a nationalist version of similarly biased distributive arrangement. Replacing an elite oriented toward transnational capital with a domestic state-business bloc does not in itself strengthen labor or democratize investment.

Actual economic history suggests the opposite. The parcel-delivery sector, in which Polish expansion is a source of national pride, already provides a warning. In a ELA study (ELA, 2025) an industry representatives notes that express-delivery is entirely outsourced in Poland (compared with around half in Germany). The same study describes InPost's delivery model as based on subcontracting and reports that the company cooperated with almost 9,200 couriers with unclear employment status in 2023. Poland also has no sectoral collective agreement for couriers (ELA, 2025). Technological success and international expansion thus coexist with arrangements that seem to be putting the burden of costs and risks on the shoulders of workers and may thereby help finance ventures abroad.

Another example comes from public finance, an area close to my expertise. Given the high deficits of recent years, the demands of the Excessive Deficit Procedure, and an increasingly regressive tax system that exacerbates high inequality while leaving the savings of the rich largely untouched, the burden of fiscal adjustment increasingly falls on public-sector employees, who have experienced stagnant real wages for three consecutive years.

Development that lifts all boats

Through this lens, GDP, productivity, and investment may remain relevant, but they must be considered means rather than goals. The test of development policy is whether it improves basic indicators of present security and well-being: a comfortable place to live, stable and well-paid work with time to recover and enjoy life outside it, good health and access to care when it deteriorates, and a general feeling of security. The economic debate, as I see it, focuses too much on instruments while disregarding goals, and it risks sacrificing those goals whenever they conflict with the means, as I am sure they frequently will.

This does not necessarily imply abandoning accumulation or industrial policy, but rather changing how it is financed and who gets the benefits. Where fiscal adjustment is necessary, it should rely primarily on high incomes, inherited fortunes, rents, and windfall profits, while public investment is protected.

Let's not forget that labor institutions should be perceived as parts of social infrastructure. Sectoral bargaining, effective tests of employment status, and limits on subcontracting can prevent national champions from building heft on fragmented labor. At the same time, basic achievements of the welfare state, such as universal housing, transport, childcare, healthcare, and affordable energy constitute elements of a social wage (Nijhuis, 2015), reducing costs of social reproduction and supporting both economic security and productive upgrading.

> A high road cannot rest solely on making Polish firms more powerful. It must also make workers and citizens stronger in relation to both firms and the state. Otherwise, regained national agency will mean little more for them than a change in the birthplace of those controlling the surplus.

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