

# Looking to the Future

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**Over the next 20 years, Poland's most important developmental objectives should be to create a knowledge-based economy and to curtail the scope of unemployment and poverty**

The strategy for Poland's development through 2025 that has been prepared by the PAN "Poland 2000 Plus" Forecast Committee rests upon an assumption that while market mechanisms do play a fundamental role in shaping economic and social processes, they nevertheless do not appropriately ensure the realization of social objectives, especially as concerns broad social participation in benefiting from development. The functioning of the market needs to be assisted and corrected by state socio-economic policy. For such policy to successfully facilitate the achievement of the desired national developmental aims, it should follow from a solid identification of the long-term objectives, obstacles, and barriers.

## Barriers to development

We should underscore that such a strategy, in the Committee's view, is not the same thing as a forecast, since it does not attempt to answer questions of "what will be." Rather, a strategy for development strives to answer a wholly different question: "What should be done to best cope with the current and foreseeable problems?"

In seeking to identify Poland's top developmental objective, we have broken with the standing tradition whereby rapid economic growth is taken to be the number-one tenet. Growth is merely one condition for development, a necessary but not sufficient one. For us, the overarching goal was instead derived from a worldwide megatrend: the rise of information society. The European Union, in its Lisbon Strategy, pledged to take intensive steps in this direction, especially as concerns developing a knowledge-based economy.

With an economy that is still profoundly industrial, or in certain regards even agrarian, Poland should recognize building such an information society as the overarching goal for its next 20 years of development. While EU membership is certainly conducive it is not sufficient

to determine the country's developmental policy, which has to be adapted to Poland's own conditions.

Those conditions are above all stipulated by the basic limitations to our capabilities. First of all, Poland faces

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**Building an information society will take profound education system reform and greater expenditure on education and science**

barriers stemming from the fact that the process of developing a new economy based on advanced IT and telecom technologies is only just beginning. That issue is linked to the current condition of Polish science and education, which is gravely in arrears in terms of spending on research. Other social barriers include mass unemployment and the vast scope of poverty. According to Polish Central Statistical Office (GUS) data, some 12% of Poland's population are living on or below the biological subsistence line. Poland also faces various institutional barriers, including above all the weakness of its state institutions, demographic barriers involving oncoming changes in the population breakdown, and also economic barriers involving meager resources for financing the desired processes of transformation.

### Strategic objectives

All that being the case, we have pinpointed Poland's two main priorities as creating a knowledge-based economy and curtailing the scope of unemployment and poverty.

A knowledge-based economy, where knowledge is a fundamental factor of production, is the economic manifestation of an information society, one that provides broad access to global IT technologies. That, in turn, points to the desired directions of development: advancing education, science, and the IT technology sector, and ensuring universal access to the Internet. Developing such an economy requires fast-paced economic growth, in tandem with modernizing the profile of the economy (including the development of modern industries).

Building a knowledge-based economy requires that an agenda be formulated for overcoming these basic barriers. The need for state reform demands that social capital be stimulated. The demographic barriers entail a need to curb the drop in the country's population. The educational barriers mean a need to develop the country's intellectual potential, something that has to involve profound reform of the education system and increased spending on education (not just from the state budget). Particular stress should be laid with educating young people from rural areas. Another important component of our strategy is a program to gradually increase spending on research, from the current level of 0.6% of the GDP up to the target set by the EU, i.e. 3%.

### Sources of funding

Each of the points listed above will require very significant funding. The sources of such financing for the strategy should include: achieving a higher GDP-to-investment-spending ratio, changing the breakdown of spending on research and on the ICT sector, allocating a significant portion of each successive year's GDP

growth to priority objectives, wisely harnessing EU aid funds, intensifying efforts to attract foreign capital and to encourage private companies to invest, and altering the structure of public sector expenditure.

The main source of financing for measures under the proposed strategy should be derived from annual increases in the GDP. That will require significant changes in the breakdown of GDP expenditure – not just in public spending, but in spending from all sources.

We feel it is crucial for spending to be channeled into developing national production. Imports are necessary, and free trade on both the European and world

### Expenditure on education and science should rise systematically through 2025

markets is essential, yet it must be a priority to expand profitable exports. The fundamental importance of the European market is obvious. Nonetheless, we believe that Polish trade policy should see notable expansion into various eastern markets, now of rising world significance in view of the buoyant development observed in China and India.

Another very important priority, in our view, is to give a boost to housing construction. One of the important tasks of the state's developmental policy is to create favorable conditions for attracting and drawing private capital to the proper objectives. Here particular attention must be paid to the taxation system, which should be geared toward encouraging companies to invest.

### Pace of change

The set of priorities pursued should change over time. During the next two years, our strategy proposes setting a clear precedence for financing IT and transport infrastructure, as well as for housing development. Only in successive years will it be possible to begin shifting towards financing research and education reform – although that should begin no later than 3–4 years on. Subsequently, the time will come to pave the way for an appropriate flux of population from rural areas to the cities, and also for stimulating population policy. Finally, we should start to see growth in financing for fields considered to be fundamental vehicles for Poland's knowledge-based economy, and then, through 2025, there should be systematic growth in spending on developing science and on the remaining strategic aims. ■

#### Further reading:

*Poland's Path to 2025 - Tenets of Long-Term Strategy in the Light of Studies of the PAN Forecast Committee* [in Polish]. (2005). Warsaw: WDN PAN.