

Bohdan Wyżnikiewicz

## **Sources of Optimism**

Recently, observers of the Polish economy may have noticed a certain inconsistency in assessments of the development prospects for 2004. On one hand, economic growth prognoses issued by all centers and experts are optimistic. On the other hand, an equally commonly expressed attitude is anxiety concerning the equilibrium of public finances. Some of the scenarios even go as far as to warn against a financial crisis.

The simplest way of eliminating these contradictory prognoses would be to convince analysts that threats connected with budget instability will be eliminated and that the parliament will relatively quickly decide to implement the savings program, that is the basic elements of Deputy Prime Minister Hausner's plan. This course of events is not entirely impossible, yet it can by no means be envisioned as the only possible future scenario.

What are the potential sources of optimism for scenarios of dynamic economic growth? I perceive two main sources of optimism: Poland's accession to the European Union and faith in the strength and determination of Polish enterprises.

Poland's accession to the European Union is an event that is in itself a mood enhancer. Polish entrepreneurs will gain less restricted access to the unified European market, the economy will be supported by EU financial transfers of various sorts and the influx of foreign investments will increase. The European Commission will enforce greater effectiveness and better operation of Polish government administration.

Such expectations are justified if perceived from a long-term perspective. In the short-term the chances for their realization are rather small, which, in my opinion, stems from insufficient preparation for accession and a lack of understanding of the logic of European mechanisms in contrast to those Poles are accustomed to.

The strength of the Polish economy is a more justified source of optimism. Two years of economic stagnation was followed by economic recovery in 2003. In 2002 the economic situation cycle was completed in Poland and the current recovery is based on macroeconomic foundations. Export has become the main driving force of the economy and there are considerable chances for further expansion. Companies have completed another stage of

restructuring and have increased their microeconomic effectiveness. Due to the implementation of a proper monetary policy, inflation has decreased and unnaturally high interest rates have been eliminated. The improvement in companies' profitability creates the chance to earmark more money for investments.

Unless the strained condition of public finances results in a further weakening of the zloty and a rise in interest rates, companies' momentum will be capable of overcoming the negative influence of the situation.