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***New Deal***

We live in amazing times. The last dozen or so months have been marked by health concerns and fears about the future. A lot of Poles wondered not only whether they would be able to avoid the coronavirus, but also whether they would still have a job to provide for their families and make sure that their children would not have abandon hope of a better life.

The COVID-19 pandemic might well have taken Poland back to the 1990s. It is enough to look at the terrible economic data coming from some countries—including European ones—to understand that the worst-case scenario was not the stuff of disaster films. Fortunately, the scenario has not materialised because, as opposed to the 1990s, Poles could count on the state that got actively involved in helping all those in need. The unprecedented support offered as part of the Anti-Crisis Shield and Financial Shield enabled us to slow down the disastrous consequences of the pandemic and stop the fall in GDP for 2020 at the level of 3%, a result that was third best in Europe and unmatched in the group of large countries with a population of over 10 million. Even more impressively, like no other country in the EU, we have managed to keep the unemployment rate at around 3%.

Other data confirm that Polish economy has coped quite well during the crisis. Export figures registered an all-times record in March 2021, reaching over PLN110 bn. In May, the PMI exceeded 57 points, the best result since the index started to be measured. A few months before, the European Commission said that Poland, as one of just 4 EU member states, ensured the stability of its public finance in the short and long-term perspective. In a situation like that there is only one mistake that can be made: decide that everything is going well and stop doing anything.

**Time of crisis—opportunity or disaster?**

A crisis from which no lessons are learnt is a disaster. Properly recognised and understood, however, it becomes an opportunity as well as a catalyst for change. The two sentences sum up the philosophy behind the Polish Deal.

The current crisis is exceptional in that it cannot be resolved by textbook solutions. Whether we look for them in Hayek or in Lassalle, no theory of economic crisis has foreseen a situation where the economic and social activity is paralysed overnight across the globe.

Faced with the crisis of COVID-19, we must act like doctors do when they deal with the virus itself. While we do not have a specific remedy, our experience tells us to treat the symptoms. We also know from history that a crisis, whatever its nature, requires increased presence of the state as it has to be managed rather than left to itself.

In 1933, the American President Franklin D. Roosevelt announced the New Deal in response to the Great Depression. The aim of the programme was to recover the economy, boost foreign trade and make enormous public investments: at that time, 120,000 public buildings and 77,000 bridges were constructed. Over the following decade, the USA was criss-crossed by a network of motorways. This is the scenario that inspires Poland today.

**Polish Deal: a new quality**

The objectives of the Polish Deal focus not only on rebuilding Poland after the pandemic, but also on refashioning Polish economic and social system to make it more equitable and crisis-proof so that the country can be set on a new path of development.

A diagnosis of pandemic ailments had to start with the health care system. COVID-19 has pushed the sector to the brink of collapse even in the richest countries. Poland was no exception. Had it not been for a very firm restrictions policy and a network of makeshift hospitals built at an amazing pace, our country would have also experienced a pandemic breakdown. It is hard to image its scale and the ensuing chaos that would have happened if we had not digitalised much of the system before the crisis.

Although we have spent over PLN100 bn on health care in the last 5 years, its quality is still not up to the standard expected by the public. This is a clear signal that the current system of health care funding has reached its limit. It is high time we abandoned the philosophy of restructuring. If we want to take a qualitative leap forward to make Poland rise up to the level of Western countries, we must step up our efforts to set aside 7% of GDP for health care.

**Polish taxation paradox**

This requires that we change our model of health care funding and thus our taxation system. So far, Poland was the only country were part of the health care premium was tax-deductible. The structure of the entire system meant that those who earned the most could optimise their taxes relatively easily. Hence, the Polish tax system, although nominally progressive, became in fact regressive. People of lower income pay proportionally higher taxes than people who earn more.

Besides offending the sense of justice, this taxation dis-order also prevented social cohesion. It deepened inequalities that had already been exacerbated during the crisis.

Crises are like powerful sea waves. They rock large ships but can sink smaller vessels. Recent studies show clearly that the pandemic year of 2020 aggravated income disparity. The rich got richer regardless of the crisis, whilst the poorest lost precisely because of the difficult circumstances.

**Towards a Poland of true solidarity**

The Polish Deal addresses these challenges because it stems from the spirit of genuine solidarity which should be understood very broadly. It is horizontal in the sense of ensuring social justice, bridging income gaps and supporting those who earn the least. To that end, we increased the income tax threshold to PLN30,000, which is close to the thresholds used in Western countries: it is higher than in France and comparable to Denmark. But the Polish Deal is also about vertical or inter-generational solidarity. On the one hand, we turn towards the past by supporting old people through tax-exempt pensions. We return to the values without which it would be difficult to imagine the future of Polish and European societies. On the other hand, we want to take care of future generations and lay foundations for development that will help our children earn more, work in better conditions and, last but not least, live in an environment where they will breathe fresh air rather than read about it as a luxury for the selected few.

The early 2020s is a crucial time for Poland. We are on the cusp of civilizational changes on an unprecedented scale. Due to historical circumstance, we were only passive witnesses of such changes in the past. Now we can be their active participants. The scenario is ready. All we need to do now is put the Polish Deal in practice. We will try to win the widest possible support for the strategy as it is only with social acceptance that it can be successful.

Mateusz Morawiecki

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