

MARTA A. GÖTZ

Warszawa

ORCID: 0000-0002-8764-871X

ANALYSING POLAND'S EUROZONE ACCESSION THROUGH LENSES OF POLICY ARRANGEMENT APPROACH

INTRODUCTION: SETTING THE STAGE FOR ANALYSING POLAND'S EUROZONE ACCESSION (PEA)

In fact, it is tough to define Poland's Eurozone Accession (PEA) as a clear policy arrangement. It does not seem a perfect campaign, rather an operation, an action, initiative, grand project and certainly a landmark development, which for now (late 2018) resembles more an elusive remote task. The aim of this normative paper is to assess Poland's Eurozone Accession according to policy arrangement approach (PAA) framework, to identify likely weaknesses and if possible, to put forward some tentative proposals of how to redesign the "process of preparing and joining the Eurozone by Poland". PAA organises the critical review of available literature on the subject and structures the assessment of current Poland's "euro-operation". It integrates four main aspects of the ongoing euro-project: actors involved, discourse being held, resources available and governing rules. Findings obtained may be leveraged to adjust the debate and adopt the adequate campaign, so it can address the fears expressed by public opinion or help avoid the mistakes of previous other EU MS' accessions such as the possibility of price rise.

The background of the analysis are certainly the ongoing efforts to reform the EU and make the eurozone less crisis-prone; efforts which are met with mixed reactions, nevertheless, are leading to some reconciliation of various approaches. They advance the discussion of economically sensible, legally sound, and politically feasible concepts that indeed deserved to be taken forward (Results of the Economists Panel, 2018; Andritzky et al., 2018). In the light of the above, integration supporters "recommend" the post-communist countries with national currencies to revisit their stance and to avoid being stranded on the EU's periphery as EZ becomes the bloc's real core (Than, 2018). There is no evidence that euro adoption could have adversely affected the convergence (Gross, Convergence in ...2018). Actually, 11 new Central Eastern European countries, which adopted euro, have been catching up faster than might have been expected given their low starting level of income p.c. Euro entry is more of a political than an economic decision (Darvas, 2018). In economic terms,

CEE “pre-ins” or “outs” could perform quite well inside as well as outside the EZ. Yet European Union is clearly not only about economic benefits as it represents shared commitments to European values. As put by Darvas (2018), euro membership was not a determining factor for economic success in CEE.

“There were both good and bad macroeconomic performances in both flexible and fixed exchange-rate regimes of Central European countries. The implication is that the Czech Republic, Hungary and Poland (...), could be successful both with and without the euro”.

This further makes the analysis of “euro adoption” project more difficult.

This paper aims at critically reviewing the process of Poland accession to euro area (PEA) by framing it in policy arrangement approach (PAA). It should be emphasised that this paper does not intend to evaluate current proposals of Eurozone reforms, to describe in detail the history of Poland’s relation with the EU or to elaborate upon the risks and benefits of euro-area accession. It rather seeks to shed light on landmark economic and political development which would be PEA by critically reviewing four main components of this project namely: actors involved, resources available, rules governing the process and the discourse being held i.e. by framing the discussion in the PAA. The aim is to document and describe in a structured way the ongoing discussion on PEA membership and to take stock of major components of this economic-political project of joining the euro area. Conducted analysis yields some tentative conclusion and suggestions as to how the preparation and discussion might be shaped. The novelty of this paper might derive from the more structured exploration of PEA which draws on conceptual framework provided by PAA. This paper is structured as follows: first it introduces the fundamentals of PAA methodology and in next subchapters it discusses one by one the major PAA dimensions i.e. actors, rules, resources and discourses of Poland’s Eurozone Accession. The final part summarises conclusions but also offers some tentative suggestions of how the PEA might be better shaped.

CONCEPTUAL FRAMEWORK OF POLICY ARRANGEMENT APPROACH

Recent decades have brought a substantial change of both policy practices and policy idioms (Arts, & Van Tatenhove 2004). New concepts such as: network management, stakeholder dialogue, policy discourses, etc. have replaced older ones like: public administration, interest groups, institutions, or power. Also, a certain tendency has been diagnosed of re-evaluating the content of policy-making in terms of organisational aspects. Besides politics (and policy) has been portrayed as located between ‘power’ and ‘rationality’; between pushing particular interests and promoting balanced substantive argumentation.

For the analysis of PEA the policy arrangement approach (Arts, & Leroy, 2006) has been employed as it seeks to explain the way in which a certain policy domain is shaped in terms of organization and substance (Niedziałkowski et al., 2012). A policy

arrangement has four analytical dimensions: 'discourses', 'rules', 'actors', and 'resources'. This concept is under a constant pressure coming from various sources such as: daily interactions and policymaking, structural changes and relations between state, markets and civil society, or external events that affect the context of policy-making (Arts, & Leroy, 2006). A policy arrangement proposed by Van Tatenhove et al. (2000) has its roots in environmental policy as a 'meso-level theory' or 'approach' for analysing peculiarities of policy making (Arts, & Leroy, 2006). The PAA links structural, social and political changes happening within society with modifications observed in daily practice of policy making. A policy arrangement is understood as "*the temporary stabilization of the content and organization of a particular policy domain at a certain policy level or over several policy levels*" (Arts, & Leroy, 2006). Four interrelated dimensions characterise the policy arrangement. Three have an organisational or structural nature and one relates to the substance of the arrangement. (1) Actors and coalitions, (2) rules and regulations (both formal and informal) and (3) resources (e.g. money, knowledge) and related power are considered as 'organisational dimensions', whereas (4) 'discourses' that capture the actors' narratives represents the substantive dimension (Lieverink, 2006).

As far as methodology is concerned, this analysis is based on purposeful, directed and critical review of reports, dossiers, papers and other documents by Polish and international bodies, as well as analysis of economists' opinions and intelligence gathered from experts in form of survey conducted during the special economic conference "Euro a sprawa polska" organised by Vistula University on 16th April 2018. This paper may be classified as a general review providing an overview and view-point, with a content which is dependent on author's opinion and interpretation. In a sense, it clearly demonstrates a case study type of article, as it fits the criterion of describing the actual processes and because it is devoted to concrete phenomena happening in a given country. Case study may well be subjective and will not report on research, but description of a legal case or a hypothetical case study used as a teaching exercise would also fit into this category (Multinational Business Review 2018). It should be stressed, that the peculiar nature of this analysis made it necessary to draw upon less scientific sources. Rather than proper papers in academic journals (in fact, to the best of the author's knowledge not available as touching particularly upon such topic), the less scholarly evidence (reports, opinions, interviews) has been called upon.

DISCUSSION AND FINDINGS

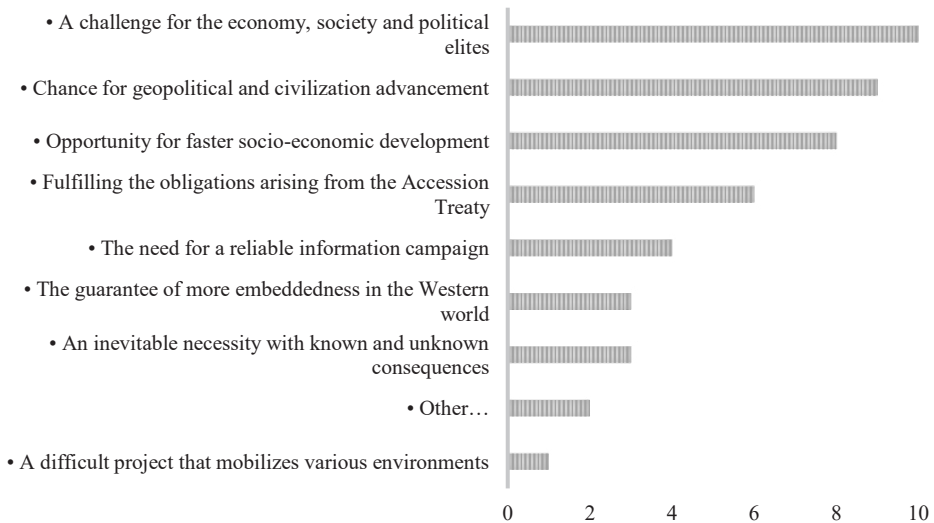
This section seeks to outline the main aspects of PEA by framing the discussion and critical evaluation in PAA. It focuses on each dimension separately trying to highlight their respective idiosyncrasies. As this paper is dedicated to the Polish accession to Eurozone – a grand project and wide socio-economic-political and legal initiative and operation – it seeks to concentrate exactly on this, while at the same time not losing sight of related EZ reforms and the inherent Europe's wide debate.

Experts gathered at the economic conference “Euro a sprawa polska” organised in Warsaw, at Vistula University on 16th April 2018 took part in short survey devoted to Poland’s preparations to Eurozone accession. This survey tackles the issues of Euro adoption process with multiple-choice answers and draws on PAA. Responsiveness rate obtained equals as much as 48% (22 out of 46). This sample, although, obviously not representative provides crucial insight into the explored problem. Gathered experts were asked which statements best characterize the process of Poland’s joining the euro area.

Figure 1

The perception of PEA by economic experts

The process of Poland joining the euro area is best characterized by the following statement:



Source: own elaboration based on survey results

Majority of them tend to see PEA as a challenge for the economy, society and political elites but also as an opportunity for faster socio-economic development and chance for geopolitical and civilization advancement. On a positive note it should be stated that relatively few have considered it as a difficult project, though, the differences in opinions revealed the division even between scholars in academia circles. The next sections discuss one by one all four dimensions of PAA characterising Poland’s euro area accession process.

Resources

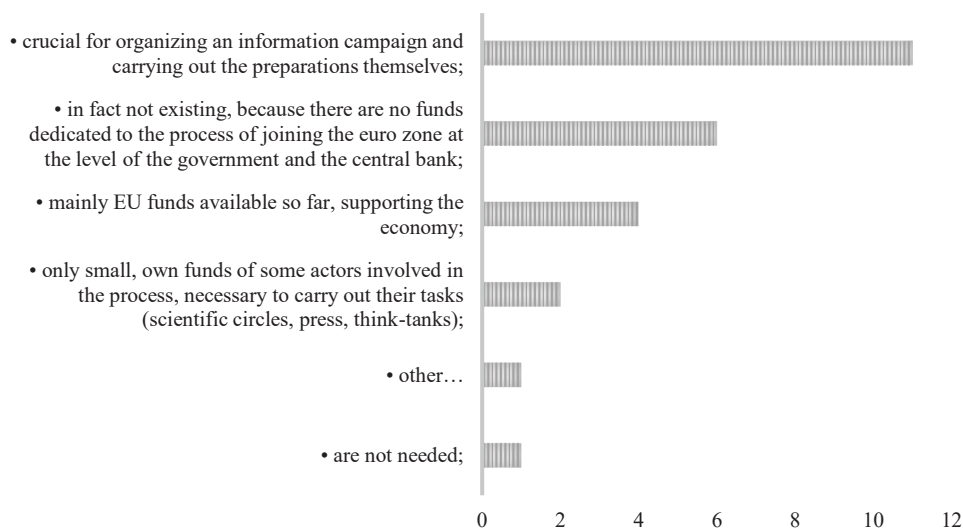
Resource being one of the structural dimensions is intrinsically related to power (Arts & Van Tatenhove 2004). Power has to be understood, as the ability of actors to mobilise resources in order to achieve desired outcome but also as some dispositional / structural aspect of socio-political systems.

For the moment being, as it seems there are no special resources which may assist the EZ accession process. However, recently some proposal has been tabled by the European Commission President J.C. Juncker in form of a reform delivery tool / a pre-accession incentive for “pre-ins”. This possible euro-accession Instrument will be, nevertheless, unlikely to impact the decisions of ‘outs’ on whether to join EMU (Dąbrowski, 2017). It might be, however, seen as a change in the attitude of the European Commission (and hopefully also the ‘ins’) about EMU enlargement, and hence might encourage ‘outs’ that are willing to adopt the euro to set a concrete accession timetable and move forward with its implementation. It should be also stressed, that EU finance ministers have agreed early December 2018 to bolster the eurozone against future financial crises (Brunsdon & Khan 2018). The key components of the arrangement aim at: equipping the eurozone’s banking union with more financial power (“ESM can intervene to contain the consequences of a banking collapse”), providing ESM with more flexibility in order to assist countries to weather financial turbulences (“easier for countries that are solvent but fearful of a temporary loss of market financing to get “precautionary” credit lines from the ESM”) as well as at continuing discussions on the possibility of eurozone budget (or more likely “convergence and competitiveness tool”).

Figure 2

Resources of PEA

Resources, assets and funds involved in the process of accession / preparations for Poland's entry into the euro area are:



Source: own elaboration based on survey results

Poland so far has not set up any fund earmarked for facilitating the EZ accession process. This might suggest that the whole PEA is supposed to be (or is considered?) as a free process, presumably generating no costs which may need some extra funding.

Experts gathered at the above mentioned conference “Euro a sprawa polska” who took part in short survey devoted to preparation and accession process of Poland into the Eurozone were asked about their opinion on resources, assets and funds involved in the process of EZ accession or preparations for Poland’s entry into the euro area.

Most respondents argue that key resources being involved in the PEA are crucial for organizing an information campaign and carrying out the preparations themselves. Though, for the moment being they are in fact, not existing, because there are no funds dedicated to the process of joining the Eurozone at the level of the government and the central bank; what remains are mainly EU funds available so far, supporting the whole economy. Only few experts argue that such funds are actually not needed.

There are also opinions voiced that Poland should use accumulated foreign reserves to solve the problem of the debt legacy and get prepared for new policy-mix conditions i.e. the situation when fiscal policy is the only instrument left (Kołodko, 28.05.2017). Hence, it becomes of utmost importance to reduce the debt level *ex ante* and increase the policy manoeuvre room for rainy days when monetary policy would be ruled out and not allowed. Resources as one of the dimensions of PAA seem to be the least pronounced aspect and hence difficult to evaluate. There are no dedicated funds or other assets which might be solely earmarked to the process of Poland’s joining the EZ.

Actors

As argued by Arts, & Van Tatenhove (2004), actors exercise power but are always embedded in some constructed constraining structures such as institutions and discourses. In policy making, processes actors struggle to achieve some desirable outcomes (Arts, & Van Tatenhove, 2004). Currently, a wide range of private and public actors – governments, intergovernmental organisations, NGOs, supranational institutions, corporations, civil movements – co-determine political outcomes of many processes (Keohane, & Nye, 1971; 1989; Risse-Kappen, 1995; Hoogenboom, 1998; Arts et al., 2001).

When it comes to Poland’s process (preparation) of joining EZ the main actors involved are Polish elites, policy-makers, other authorities as well as economic experts; also, EU officials, serving and former civil servants. The once established and then discarded office of the plenipotentiary for Eurozone in Ministry of Finance (Pełnomocnik Ministra Finansów) or the Office of Integration with Eurozone in Central Bank (BISE NBP) may illuminate the scepticism of current government, if not a negative attitude towards the EZ membership. Actors involved – politicians and economists – seems to be firmly sticking to own opinions and tend usually to reaffirm their statements and polarised, if not petrified, views (Polskie Radio 2017). Nevertheless, as it appears given some modifications of views, these actors seek to base their

opinions on evidence, hence they can sometimes switch from being Eurosceptic to euro supporter (Belka, 2018). Riedel (2017) clearly proved the evolution of thinking of National Central Bank in Poland as inferred from the official reports regarding the possibility of Polish participation in EZ – the declining enthusiasm over time. This happened against background of a shift in general public attitudes towards EU and shift in public opinion on the desirability of monetary integration on the supranational level caused by the economic crisis.

At the beginning of 2018 a group of prominent Polish economist signed a letter to new prime minister Mateusz Morawiecki calling for quick euro adoption (Open Letter, “Rzeczpospolita”, 2018). It was signed by experts, editors of daily „Rzeczpospolita” and prominent professors/economic experts¹. They call for establishing a Council tasked with designing and conducting public opinion campaign, assuring the right convergence exchange rate before joining ERM II and supervising the legal amendments necessary for joining EZ. By this open letter, the daily “Rzeczpospolita” initiated in fact the wider discussion about the Poland's accession to the Eurozone. Prominent, less and more known personalities have taken part: scholars, professors, representatives of academia, policy makers, previous Central Bank governor, as well as practitioners, managers and businessmen. The fact some of them have modified their opinion and changes their mind as far as regards the accession can be explained by the ongoing reforms and post-crisis rebound of EZ itself as well as the insecure or possibly deteriorating situation in terms of demography or the savings and investments level (Cieślak-Wróblewska, 2018).

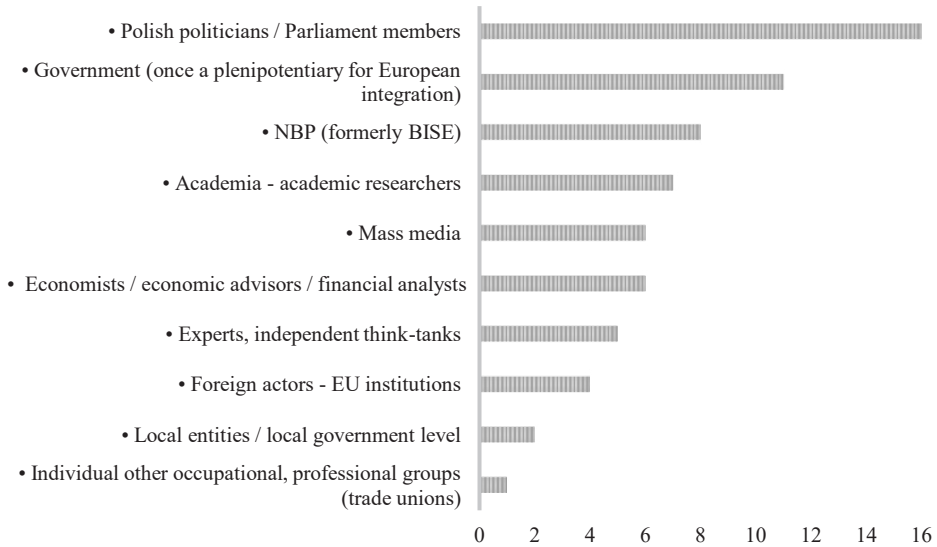
Although, these high-ranking officials and experts are the most heard voice in the debate on euro adoption, the default key actor is in fact the society as such and the business. Polish entrepreneurs, CEOs of small and large firms surveyed by “Rzeczpospolita” in general support the idea of euro adoption. For most of them it would have positive consequences mainly due to transaction costs reduction for some at least neutral meaning as they cooperate and trade with outside EZ areas and have their transactions in dollars (*Co przedsiębiorcy sądzą o wprowadzeniu euro w Polsce?* 2018). 74% of large and medium-sized companies in Poland want a single currency (Siemionczyk, 2018) – enthusiasm not seen for years. Among Polish companies, the conviction is growing that the risk of adopting the euro is getting smaller. Meanwhile, potential benefits, e.g. lower interest rates, no transaction costs or zero volatility, remain unchanged. The balance of pluses and minuses of resigning from their own currency has thus become beneficial in the eyes of the companies' CEOs.

The geopolitical and security considerations are not critical to euro adoption (Carlson et al 2016). As it seems the public opinion does not support euro adoption and besides the legal obligation as such does not generate any urgency. Poles are rather sceptical about the possibility of joining the eurozone in the coming years (Woźniak, 2018).

Experts gathered at the above-mentioned conference “Euro a sprawa polska” who took part in short survey devoted to PEA preparation and accession process were asked about the main actors involved in the process of joining the euro area / preparation for membership.

Figure 3
Main actors od PEA

The main actors involved in the process of joining the euro area / preparation for membership are:



Source: own elaboration based on survey results

Clear majority tend to see Polish politicians and Parliament Members, Government and NBP as major actors involved in PEA – in fact circles of Poland’s highest authorities. Nevertheless, they admit the importance of active involvement of scholars and experts. The opinions differ among economists and policymakers which makes the whole debate even more perplex. Expert economists argue that leaving aside the critical conditions Poland need to fulfil, there will be the society who should support the accession and be confirmed about the benefits (Dyskusja o Euro, 2018). All agree there is time to start more concrete debate about the PEA; they accentuate the need of adequate economic policy to join the EZ as well as it dispels the myths and deals with misunderstandings (Siemionczyk, 2018).

As it seems, the actors’ landscape seems to be under evolution. Actors change over time in terms of the number as well as their opinion and stance towards Poland’s Accession to the Eurozone. The range of actors involved has been modified; some of the institutions have been abolished. Though, the success of “euro operation” requires more. There must be nation-wide approval for the decision to join EZ. Society – currently pretty sceptical – needs to be well informed and, on the basis of the reliable evidence, should support the accession, not just experts, or policymakers and business.

Discourse

Crucial for PAA dimension – the substantive one – is the discourse which refers to the interpretative schemes the actors can use (Arts, & Van Tatenhove, 2004). Specifically, policy discourse can be defined as: “ensemble of ideas, concepts, and categorisations that are produced, reproduced and transformed in a particular set of practices and through which meaning is given to physical and social realities” (Hajer, 1995: 44). Policy discourse is thus dominant interpretative scheme, which can range from formal policy to popular story lines.

As it seems the campaign information on PEA is, if not missing, then clearly limited. What comes as a puzzle is the fact that Poles belong to the most proeuro-pean nations, but they very sceptical towards euro (Riedel, 2017). The debate is being mainly conducted by experts (“Rzeczpospolita” 2017) in form of columns by leading economists. Many policy makers seem to have hibernated the debate, by adopting the “wait and see” approach. If any the discourse has being carried out on Polish political scene, to some extent at the EU level, in media, and by other organisations and Foundations (Lewiatan, Schuman Foundation). In the EU, the discourse focuses recently on EZ reform, new governance and architecture. It revolves around new hybrid models of integration and takes place in Brussels based think-tanks and other international institutions (CER, CEPS, Bruegel). It is centred on risk sharing and market discipline. Whereas risk sharing can materialise in the form of some very limited mutual assistance of fiscal backstop for banking union; market discipline is regarded in terms of allowed sovereign bonds concentration levels, exposure levels, weights, or differentiation between junior and senior tranches. There is a common perception that all the reform proposals are shaped by Germany and that they enforce somehow the German model for Europe and Eurozone (Messori, Micossi 2018).

Concerning the current condition of EZ, experts see the banking union as major problem and imminent task to be solved; the speed of ongoing reforms in EZ has been assessed as too slow and as the main hindrance the divergent vision about the future of euro has been pointed out (Bruegel & Financial Times Forum: The future of euro-area governance, 27.02.2018; expert discussion with active audience involvement – slido.com – online voting).

In Poland, the debate so far has been held among economist experts who seem to concentrate on old problems, costs and benefits of Eurozone membership, convergence criteria, whereas discussion among policymakers is either almost non-existent, negligible on the side-lines, or heavily loaded with emotions. Those experts involved (Debata „Euro a Sprawa Polska” 2017) stress that staying outside EZ does not make much sense since Poland did not utilise recently the theoretically available and seemingly so important tool such as the flexible exchange rate enabling competitive devaluation or cushioning shocks. As argued by Dąbrowski (2017), in the long run, exchange-rate flexibility cannot substitute the microeconomic flexibility and structural reforms. Besides, the most important decisions are currently

undertaken within the euro group (Tomkiewicz, 2017). Since the euro-area periphery crisis eruption, one can observe the growing role of the Eurogroup – euro area’s finance ministers, which happens at the expense of the Economic and Financial Affairs Council (ECOFIN) often just rubberstamping previous Eurogroup decisions (Dąbrowski, 2017).

Economists, opponents of PEA stress the advantages of monetary independence and autonomy to pursue autonomously currency policy pointing to the risk associated with the cage of one-size-fits-all policy of ECB in the light of EZ divergences, particularly in the light of recently voiced proposals of integration by differentiation assuming some common for all “bare-bone skeleton of the EU” with accompanying “clubs” among others – the club of euro (Demertzis et al., 2018). Proponents underline that common fears are misplaced and call the government and policy-makers for swift actions towards the fast adoption of euro. Given the surrounding misconceptions it might be reasonable to design and run the discourse in the form of denouncing the opponents’ arguments (Rożyński, 2018). Often the discussion on euro adoption revives the need raised by some experts to redirect attention to other crucial for economic development aspects such as the industrial policy, structural reforms and other “homework” (more flexible markets) needed to be done by Poland itself. Crucial remains the optimal, most adequate, exchange rate for the final conversion of PLN to euro. Economists suggest it should stress more the interests of those factors critical for the economic growth and development i.e. exporters, internationalising expanding abroad business.

As argued by the President of Polish Economic Society prof. Mączyńska (2017) fundamental is the proper, though, in-depth and objective discussion preceding Polish accession to EZ. It requires meticulous preparations. Both negative as well positive, short and long-term effects and consequences need to be taken into account – carefully presented, evaluated and weighted against each other. Given still some troubles of EZ crucial remains the possibility of pursuing an independent monetary policy suitable for concrete economy. Even the most controversial and unlikely options – the unorthodox ideas – must not be ignored and deserve proper discussion. To such belongs undoubtedly the idea of controlled dismantling of the EZ by Kawalec, & Pytlarczyk, 2013; Götz, 2015). In order to save the benefits of Single Market (positive sum game) and do not thwart the achievements of thereof, they propose to decompose gradually the EZ (negative sum game according to Kawalec, & Pytlarczyk) and create new modern monetary order – a form of monetary coordination – by letting countries return to their own currencies or setting up new homogenous block of currencies and freeing them from the cage of suboptimal currency area.

Experts call for a broader campaign for PEA (Balcer, & Gromadzki, 2018). This should be built around following facts: firstly, that the EZ would soon after Brexit constitute the core of European integration and in order to “have say” Poland needs to be part of EZ, secondly the wider acceptance among current EZ members and their societies need to be stressed, as well as good economic outlook (demystify the permanent crisis situation). The positive cases of recently joining countries should be

highlighted as well and last but not least, the negative consequences of staying outside need to be made visible and illuminated (Balcer, & Gromadzki, 2018).

As reckoned by prof. K. Rybiński (2018), if something is impossible in the next six years, or even eight, because you still have to enter the ERM II, then the broader debate on this topic has only intellectual values. However, there are no political, strategic or practical values. The situation in Poland, the EU and the euro area in the next eight years may still change significantly, so the balance of costs and benefits today can make no sense in the long run. Such a balance must be created when Poland is seriously thinking about joining the eurozone.

The discussion must not ignore the external environment and discourse taking place in Europe. The Bulgarian case might be indicative to some extent. The January 2018 announcement of Bulgarian officials about their readiness to join the EZ given the good macroeconomic condition and fulfilling almost all Maastricht criteria (except ERM II, though, the national currency – lev is pegged to euro) has met the reservation among German or Austrian officials (Maurice, 2018). This clearly shows that the adoption of common currency takes more than just meeting convergence criteria and being ready; that it requires the current members to be willing to adopt a new member.

The question of Poland's future relations vis a vis eurozone is becoming even more urgent in the lights of recent proposals of new hybrid governance model (Demertzis et al., 2018). This model proposed by Bruegel think-tank experts would combine 'bare-bones EU' consisting of: single market, trade and accompanying policies, the European institutions, treaties, rule of law and a commitment to fundamental EU values, as well as three 'clubs': economic and monetary union; Schengen and asylum policy; foreign and security policy and neighbourhood policy. Club membership would be optional but once in, countries would have to accept the rules and there would be high hurdles to leaving.

The Eurozone wide discussion is recently being about the cultures reaching to more fundamental causes of persisting EZ problems and tracking the roots of experienced distortion (Brunnermeier, 2018; Brunnermeier et al., 2018). While Germany insists on rigid rules, France demands flexible economic measures that leave governments discretionary powers. For the Germans funding shortfalls are primarily due to insolvency problems that, which requires structural reforms; whereas French, by contrast, regard such shortfalls as temporary liquidity problems that can be resolved with state bail-outs. Brunnermeier suggests a need to move beyond these entrenched positions in favour of a common European economic culture. There are also economists who argue that this proposal does not address the underlying problems of eurozone i.e. the coexistence of national fiscal policies and one common monetary policy (Bofinger, 2018). Specific insolvency risk of EZ membership is the main risk that needs to be included in joint risk sharing. Hence, a bad deal as this is worse than no deal at all.

In one of the conclusions, the participant of the CER Conference: How To Save The EU (Tilford, et al., 2018) stated that "euro had proved to be a source of disintegration in the EU between euro-ins and euro-outs, with one economist saying that the

euro could only become a source of integration if governments overcame their current zero-sum thinking on economic policy". These pessimistic views, however, might be offset by other reflections pointing out the benefits or brighter outlook. Wiegand (2017) examined for instance the issue of a euro "privilege" (defined as tangible benefit from EA membership in absence of autonomous monetary policy and measured as risk perceptions revealed in investor surveys) experienced by the EA members prior to the euro area crisis. Findings demonstrate that following the crisis, euro's reputation has begun to recover, and investors saw again the EA membership as a bonus, although the associated premium is only half its pre-crisis size. What needs to be stressed is the importance of public debt, the current account balance, and the capacity to generate growth which have increased greatly, once the crisis erupted. Whereas this conclusion points towards the necessity of market discipline and sound public finance, it also contains encouraging news for Europe's common currency. As argued by Wiegand (2017), euro privilege bodes well not only for the euro area in its current composition, but it remains an incentive for countries outside the euro area to join in future.

The discussion initiated by the joint letter ("Rzeczpospolita") evokes the need of the right sequence of preparation stressing that Poland must conduct structural reforms prior to joining the EZ (Cieślak-Wróblewska, 2018). The suggested steps encompass deregulation of labour market, improving of fiscal stance and boosting competitiveness. These reforms are regarded as prerequisite for successful adoption of euro and in consequence effective functioning within common currency area. In general, as it seems the Polish government unwillingness to join EZ is mainly justified with associated risk and costs outweighing the benefits. As it is argued, the economic divergence and differences in GDP p.c. levels among EZ members and Poland and the fact the euro area is still being reformed and it is undergoing fundamental reorganisation explains the reasons for temporarily abstaining from the membership (MF: Członkostwo... 2018). During annual Davos meeting, Polish Prime Minister M. Morawiecki while commenting the euro adoption in Poland admitted he was not convinced whether common currency is from Polish perspective a solution or a problem? Indeed, such polarised black-white narrative has been rare so far (Bereźnicki, 2018).

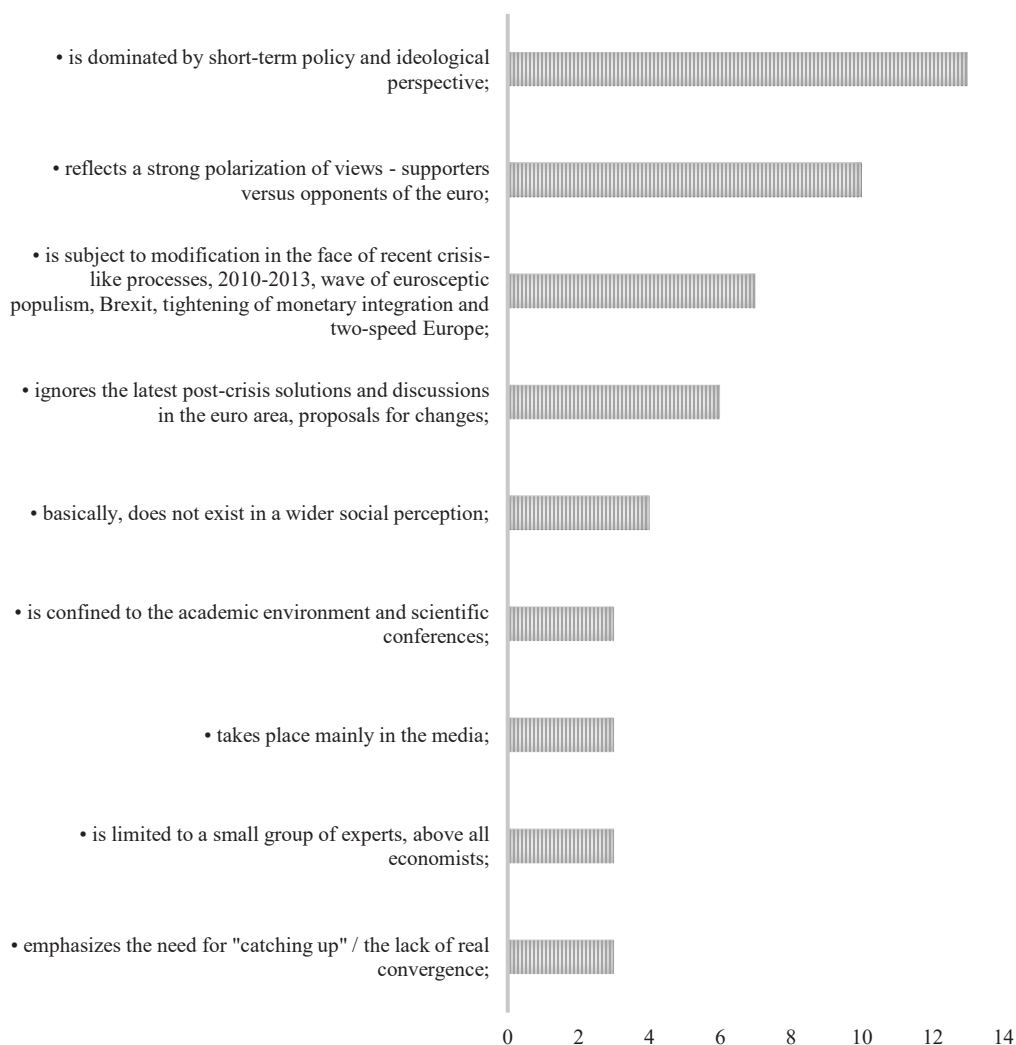
Summing up, it might be argued, that the discourse has included political, economic and to some much lesser extent also security issues, as euro adoption used to be and is sometimes still regarded as an insurance reducing uncertainty and risks, and as a guarantee of geopolitical security. Nevertheless, the political and economic perspective seem to dominate the discussion. Kawalec, & Gąska (2018) argued that euro adoption exposed Poland to the risk of syndrome of long-term loss of international competitiveness. This is when the country is forced to implement deflationary policy due to the lack of exchange rate adjustment, which reduces the GDP decline in cyclical nature and becomes a structural phenomenon, and the economy stabilizes at a level far below its potential. Consideration of this type of risk fundamentally changes the balance of costs and benefits of adoption of the euro and may cause that entry into the euro area ceases to be rational.

Experts gathered at the aforesaid conference "Euro a sprawa polska" who took part in short survey devoted to PEA's preparation and accession process were asked about their opinion on the discourse on Poland's joining the euro area / preparations for membership.

Figure 4

PEA discourse

Discourse on Poland joining the euro area / preparations for membership:



Source: own elaboration based on survey results

Most respondents see the discourse as dominated by short-term policy and ideological perspective reflecting polarisation of views – supporters versus opponents of the euro; and subject to modification in the face of recent crisis-like processes, wave of Eurosceptic populism, Brexit, tightening of monetary integration and two-speed Europe.

Economist of Polish Society of Economists (PTE) expressed their concern on designing and implementing a proper discussion on euro adoption (Gorynia, & Mączyńska, PTE 2018). Given the multifaceted character of the operation euro membership accurate and balanced discourse is of highest importance; discourse which needs to take into account the alternative scenarios and long-term perspective while combining political, economic and security aspects. Though, there has been recently growing scepticisms towards the project euro even among so far liberal euro-friendly media as it seems (Morawski, 2018; Wójcik, 2018). Drawing among others on the case of Nordic countries particularly strongly integrated yet having their own currencies and referring to the book by Ashoka Moody Princeton University „Euro Tragedy”, who claims that euro has in fact contributed to the recent misfortune of the EU it is an outcome of years of utopian thinking lacking any sound economic fundamentals, they claim that Poland should stay away as long as the eurozone would not become a new EU (Morawski, 2018). In other words, this new perspective sees if any the reason for joining the eurozone only when this block of common currency replaced the current EU. Hence, the questions the Polish policy-makers and experts should deal with is rather would the EZ indeed proceed with further deeper integration and if yes is it really necessary for Poland to become a member of such zone? Apparently, there is little chance to overcome the German scepticism towards more integrated EZ (more federal) and binding CEE might be not in the interest of German economy (suppliers’ linkages, GVC). Besides the need of finding the indeed effective solutions to any possible future crisis would be tested harshly by financial markets and only then the stability and sustainability of common currency project can be confirmed. For countries such Poland future development and economic prosperity would hinge on other than EZ membership factors such as sound economic policies, human capital, investments etc. It has been also argued that recent upheavals of the EZ are emblematic of the wrong enforced sequence – instead of regarding common currency as the ultimate goal of integration the natural outcome of previous steps, it has been treated as an instrument imposed to force countries to integrate (Wójcik, 2018). The insufficient convergence and persisting differences act as disincentive for joining EZ. For now, euro is the main brake for smooth integration not its facilitator. Government attitude can be described as cautionary, which should be interpreted as pragmatic (not ideological or doctrinal) approach. This “abstention” – staying away should continue as long as the convergence level is not satisfactory and monetary policy remains valuable policy option cushioning the likely crisis. Although, the benefits deriving from reduced transaction costs are undisputable, they do not offset the consequences of losing independent monetary policy.

Rules

The third structural dimension of PAA are rules which delineate a policy domain (Arts, & Van Tatenhove, 2004). Although various strains of new institutionalism perceive the term of rules differently, they all agree to see institutions as sets of rules that guide and limit the behaviour of individual actors. Theorists of the normative approaches within new institutionalism, define rules as determining the actors' 'appropriate' behaviour, whereas rational choice institutionalists, see them as the basis of exchange between utility-maximising actors, and historical institutionalists focus on how past design of government systems influence the future decision-making of individuals (Marsh, & Olson, 1989; Stone et al., 2001; Tatenhove, & Goverde, 2002; Lowndes, 2002).

The quick response from the government that followed the "euro appeal" of leading economist (2018), clearly denounces fast euro adoption in Poland among others on some "rules" grounds. Reasons for this included the fact that EZ does not fulfil the criteria of optimal currency area, the real convergence between Poland and the rest of the EZ has not been achieved and hence the rhetoric would not change any time soon (Morawiecki: Wejścia... 2018; Balawender 2018). Prime minister Morawiecki argued in March 2018, that Poland abstaining from joining the EZ derives from the fact the EZ does not fulfil the criteria of optimal currency area and the divergence among member states is too high likewise the mismatch in terms of economic structures (Morawiecki: Europa... 2018). As long as the EZ may cause more problems, than it provides benefits Poland should not consider the membership.

Poland has one of the best-balanced economies and no risks of significant imbalances have been identified in early 2018 (Beniak, & Bień, 2018). This good performance combined with re-emerging doubts of Eurozone stability or even the existential question on the future of EZ are good arguments for PEA opponents. When one analyses the PEA one inevitably faces the most obvious rules which are the famous Maastricht criteria, or Stability and Growth Pact. There is, however, a growing awareness that any criteria should be met with the long-term perspective, it is a challenge to assure not only short-term ongoing adjustment but think strategically and safeguard lasting observance of criteria, like fiscal policy discipline (Niewiadomski, 2018).

The discourse must take into account recent reforms and most likely would be guided by rules and recommendations worked out during other pre-ins earlier accessions like the one expected to happen as first by Bulgaria (Lehmann, 2018). New entrants should follow the guidelines of banking union but also come to terms with problems of financial system and its supervision, and non-banking sectors: insurance, pension funds, need to govern properly the functioning of SOEs as well as put in order the insolvency framework. This all shows clearly that also Poland would in the end of the day join very much different eurozone from one might have expected some years ago.

Hence, PEA is governed by multiple rules and regulations such as fiscal compact, ESM rules, banking union (complex integration project – Gorzelak et al., 2017).

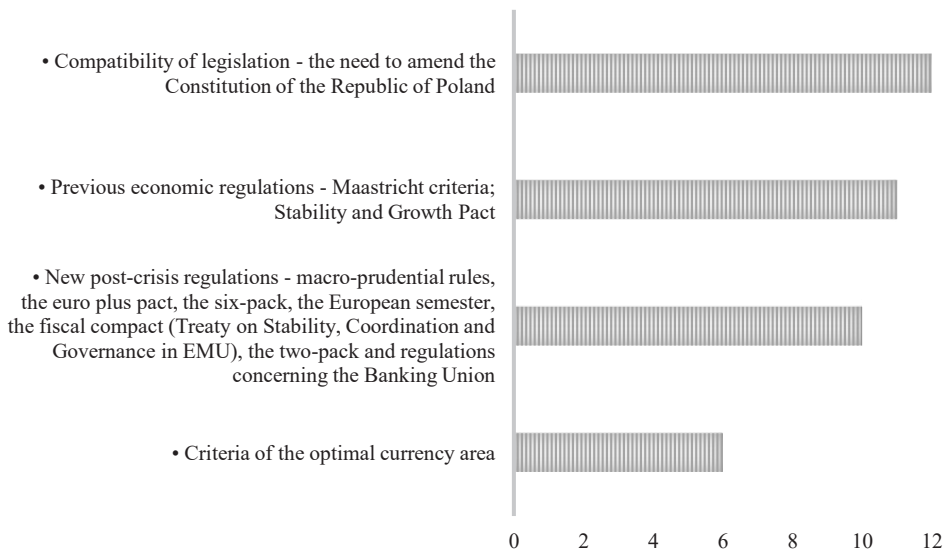
There is more and more new law, a proliferation of new legislation can be observed. Poland has been always willing to join, and during acute crisis phase such readiness being a proof of good governance, market discipline. Currently legally it is still under the derogation requiring two years participation ERM II, and some institutional and legal amendments.

Experts gathered at the above-mentioned conference “Euro a sprawa polska” who took part in short survey devoted to preparation and accession process of Poland into the Eurozone were asked about the most important rules (a set of regulations) determining the accession / preparation process for accession.

Figure 5

PEA's rules

The most important rules (a set of regulations) determining the accession / preparation process for accession are:



Source: own elaboration based on survey results

Most respondents argue that major rules defining the debate are compatibility of legislation – the need to amend the Constitution of the Republic of Poland and previous economic legislation.

As inferred from various reports and articles whereas Poland is obliged to join finally the EZ, it does not have to do this in a hurry under tight deadlines. In fact, (Carlson et al., 2016), while EU accession did create a legal obligation to join the

euro, the obligation lacked an enforceable timeline. Instead of joining the Eurozone, effort should focus on prudent macroeconomic policy, supported by strong domestic institutions and good governance. Integration-at-all-costs is no path to prosperity (Carlson et al., 2016). With regard to the rules – the final dimension of PAA – actually the obligation of fulfilling Maastricht criteria and the need to change legal provisions on functioning the Central Bank and related paragraphs of Polish constitution seem to make the headlines.

There is a growing acknowledgement that adopting euro in Poland is more a matter of willingness and proactive engagement than overcoming real obstacles, reforming fundamentally economy and admitting that “to have the euro we need just to want to” (Siemionczyk, 2018). As expressed in June 2018 Convergence Report by the Ministry of Finance, the Poland's convergence with the EMU remains unsatisfactory (Monitor Konwergencji, 2018). Since the entry to the EU, the relative income level in Poland has increased by 21 pp. However, despite sustained growth, it remains one of the lowest in the EU. In years 2016-17, the previous tendency of deepening differences in the GDP structure between Poland and the euro area continued. Similar trends (weakening the similarity between Poland and the euro area) are also observed in the case of investment structures. Differences in the economic structures between Poland and the euro area have not, however, been an obstacle to the high level of similarity of business cycles in both areas. Current estimates regarding Poland's compliance with the nominal convergence criteria indicate that two criteria have been met (price stability and fiscal criterion). The criterion of exchange rate stability (due to the fact that the zloty was not included in the ERM II mechanism) and interest rates remain unmet.

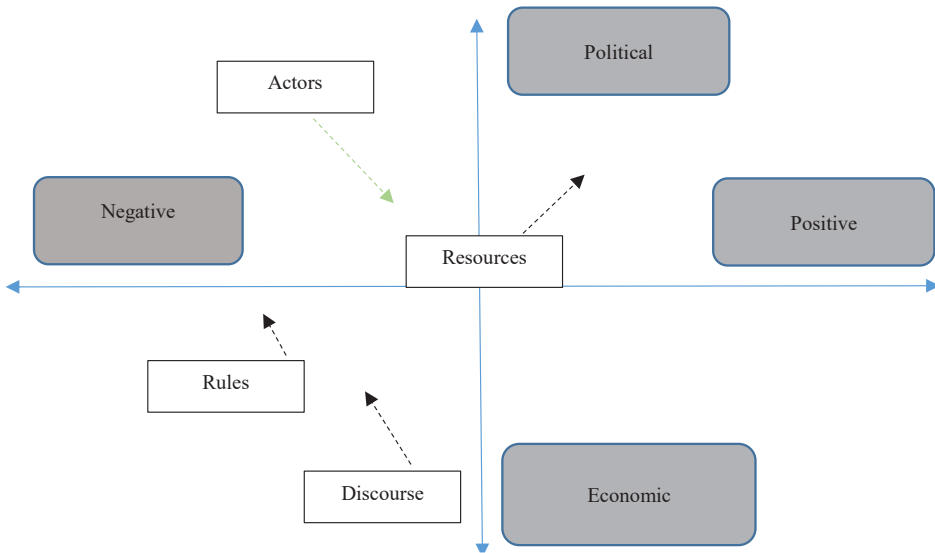
With the current degree of similarity between the economies of Poland and the euro area – in particular as regards the level of development (measured by GDP per capita) – Poland's membership in the euro area might be a source of some turbulences and distortion in the economy. Pretty vague perspective remains still the completion of the institutional reform aiming at higher stability in the euro area, which is a necessary condition for Poland's possible accession to the single currency area. For this reason, the priority of Polish economic policy is currently to increase the potential and competitiveness of the economy. It seems, however, that the conflicting views and opinion might be reconciled as both the euro-adoption opponents and supporters differ obviously in their narrative and way of conducting the discourse, but not that much in evaluation the underpinning economic considerations. Reasonable proponents encourage the membership, though, being fully aware of the time needed and reforms required; opponents – on the other hand – stress firstly the reforms and convergence needed before any euro-adoption decision can be made. Hence, it seems they differ more in terms of accentuating some aspects or timeline of euro-operation, than in general assessment.

CONCLUSIONS: HOW TO SHAPE THE PEA?

This paper is an attempt to analyse the process of joining the EZ by Poland by drawing on: actors involved, discourse conducted, resources available and governing rules. Although, the underlying PAA framework allows for such neatly and ordered exploration, in practice the mutual relations and interdependences make it harder to clearly dissect these dimensions from each other (to look at actors and abstaining from the argumentation/discourse they use; to investigate the rules while ignoring the debate, etc). As this paper is of normative character it also seeks to go beyond simply describing and assessing the Poland’s Eurozone Accession by formulating some tentative suggestions as to how the initiative – this grand project – might look like in order to minimise the fears expressed by public opinion, to address the insufficient knowledge, to learn from lessons of previous EZ accessions and leverage the ongoing reform in EZ governance. The four major dimensions of PAA might be classified according to two simple criteria: their nature i.e. more pro (positive) or anti (negative) euro attitude and political versus economic dominant characteristics. Results of mapping are depicted on scheme 1.

Scheme 1

Map of PEA’s dimensions (arrows – expected future developments; for actors – orientation)



Source: Own elaboration

Actors encompass by default three major groups: policymakers/politicians, economists /business community and wider society. Summing up, their dominant attitudes i.e. sceptical of currently ruling party and government, rather pro-euro by economists

and business circles and the unconvinced approach of public opinion, the resulting outcome of actors' attitude might be described as rather negative. Discourse, although most heard, is being held mainly by politicians, is pretty economic in its nature as it draws on convergence criteria, harmonisation of macro-indices etc. Resources, actually not available, certainly do not facilitate the whole process and the Juncker pledge of possible tool / support for "pre-ins" countries might in this light act as interesting incentive, though, of limited impact. Rules are going to be more complex, most likely to some extent more political (policy induced – idea of clubs) yet also richer in terms of economic-fiscal and financial requirements, what in the end can yield the PEA even more difficult and perhaps discouraging euro accession.

The discussion not only needs to be closer to citizens and rely on well-designed information campaign, but it also should be more nuanced. The Eurozone accession and adoption of single currency would not be a remedy for various socio-economic or political troubles as some may expect. It would not guarantee economic growth and welfare improvements or socioeconomic development. It is a chance and opportunity but certainly not a guarantee of faster or more inclusive growth. This is particularly the case under the planned Eurozone governance amendments including debt restructuring possibility, putting conditionality on any financial assistance, monitoring and close surveillance of the development of national budget policies, stipulating more sovereign states responsibility for own fiscal policies and not foreseeing any debt mutualisation or euro-wide transfer. It will be still in hands the national capitals and the responsibility of their authorities to assure safe financial policies and sustainable public finances. Hence, the euro adoption is not a silver bullet or guarantee of welfare and fast economic progress. That being said, the opponents should be reminded that staying outside the euro-area and having own currency *per se* does not solve the lasting competitiveness problems. Building competitive advantages on exchange rates modifications (manipulation in fact?) does not seem an appropriate long-term strategy for any advanced country. Besides it seems tricky, uncertain if not naive to believe that certain *finalite* in the Eurozone will be declared one day when all the restructuring, reconstruction, modernisation or other governance reforms are accomplished and when hesitating countries can finally state their willingness to join such crystallised group. Recent developments show all very clearly that hoping for and expecting the ultimate steady state – the end, the crown or final of Eurozone architecture is just premature or too optimistic. Besides it does not seem feasible to expect a point of satisfactory fulfilment of clearly defined set of conditions or concrete situation when countries such as Poland would be indeed 100% ready and willing to join. It is more likely that given current hesitation there will be difficult to arrive at the situation when all interested parties would claim their readiness and approval for euro.

More resources or proper funds should be earmarked for appropriate and informative campaign. New budget line dedicated for "pre-ins" is too early to be assessed, though, experts are not convinced it would make difference and incentivize pre-ins to join.

Discourse should be more about how complex the ongoing integration is, rising awareness as to the current Eurozone debate, highlighting the costs of non-euro,

stressing the unsustainability of staying outside – i.e. the rather shaky foundations and fragile fundaments of current situation a country so strongly linked with euro area, so interconnected yet still with own emerging market currency, exposed to possible speculations and currency attacks. Concerning the rules of PEA which for the moment being are mainly about necessary constitution amendments, or meeting Maastricht criteria, much broader package of new provisions and creeping of new legal amendments to the EU *acquis communitaire* needs to be considered.

As seen by some from the political perspective, remaining outside EZ could translate into becoming a second-order MS of limited impact in EU policy-making which would be influenced more and more by „the „ins” interests (Dąbrowski, 2017). The situation would be further complicated by the UK departure from the EU, which would result with the euro „outs” bargaining power in the Council reduced. One has to bear in mind that even if the current ‘outs’ decide to join euro; it will not happen overnight. Given the obligatory two years membership of ERM II, three years might be the minimum transition period. Besides, it is not only about meeting the five Maastricht nominal convergence criteria or adjusting domestic legislation. Candidates will have to adhere to an increasing number of new regulations and adhere to more advanced rules governing the EMU 2.0 – like joining the ESM, and Banking Union, conducting other reforms aiming at better microeconomic flexibility. This means a lot of homework which can be reasonable done only over some couple of years’ time horizon. Paradoxically, the proposed radical reform by the Bruegel of ‘bare-bones EU’ accompanied by euro ‘club’ might stimulate the discussion on euro adoption, increase the support to join the EZ and even accelerate the whole process of accession as it would yield the EZ a merit of uniqueness, exclusive, elite grouping worth belonging to.

Referring to the questionnaire conducted during the Warsaw conference “Euro a sprawa polska” organised on 16th April 2018, the obtained results show that most respondents see the euro-adoption process as the challenge for the economy, society and political elites (10), the chance for geopolitical and civilization advancement (9) and opportunity for faster socio-economic development (8). According to the surveyed experts, main actors involved in this project are: Polish politicians / Parliament Members (16); Government (11) and NBP (8). The most important rules governing the accession process are: compatibility of legislation – the need to amend the Constitution of the Republic of Poland (12); previous economic regulations – Maastricht criteria; Stability and Growth Pact (11) and new post-crisis regulations – macro-prudential rules, the euro plus pact, the six-pack, the European semester, the fiscal compact (Treaty on Stability, Coordination and Governance in EMU), the two-pack and regulations concerning the Banking Union (10). The discourse on euro-adoption is according to surveyed experts: dominated by short-term policy and ideological perspective (13), reflects a strong polarization of views – supporters versus opponents of the euro (10); subject to modification in the face of recent crisis-like processes, wave of Eurosceptic populism, Brexit, tightening of monetary integration and two-speed Europe (7). With respect to the necessary assets and resources involved in the euro-adoption process, experts tend to argue that these are: crucial for organizing an

information campaign and carrying out the preparations themselves (11) yet in fact, not existing, because there are no funds dedicated to the process of joining the euro zone at the level of the government and the central bank (6), mainly EU funds available so far, supporting the economy (4).

Next steps are critically needed to create a more functional and coherent economic governance framework in the EZ. Poland discussion on EZ accession must not ignore this aspect and expected reforms. Eurozone membership is not a guarantee of ultimate success and insurance against any problems, though, it allows to become a player in the premier league (Bielecki, 2018). Although, this paper concentrates on Polish debate it must not ignore the broader European context – the discourse taking place in EZ among the member states or in European think tanks. Thus, it raises also the issues which might be of importance for Poland's future decision to join the EZ.

Results of the research were also presented and included in the proceedings of 19th Joint International Conference Central and Eastern Europe in the Changing Business Environment, Prague 2019.

Prof. AFiB Vistula dr hab. Marta Götz, AFiB Vistula, Warszawa (martagoetz@gmail.com)

Słowa kluczowe: euro, strefa euro, Polska, przystąpienie Polski do strefy euro, zarządzanie, reforma, kryzys, policy arrangement approach (PAA)

Keywords: euro, Eurozone/area (EZ), Poland, Poland's Eurozone Accession (PEA), governance, reform, crisis, policy arrangement approach (PAA).

ABSTRACT

2019 – the year of the 15th anniversary of Poland's EU membership – is an occasion to reflect upon the fact that so far the country has not joined the Eurozone (EZ). The paper focuses on the issue of Poland's preparation towards becoming a full member of the EZ - Poland's-Eurozone-Accession (PEA).

This particular initiative of adopting the common currency can be discussed by reference to the policy arrangement approach (PAA). The paper seeks to shed light on the landmark economic and political development which would be PEA by critically reviewing four components of this project: actors, resources, rules and the discourse being held, i.e. by framing the discussion in the PAA. It does not aim to evaluate the current proposals of Eurozone reforms, to detail the history of Poland's relation with the EU or to elaborate upon the risks and benefits of EZ accession.

The conducted analysis, which looks at the problem of PEA by using the conceptual framework of PAA, yields some tentative conclusions on the peculiarities of the ongoing discussion on PEA.



NASZE WYDAWNICTWA

INSTYTUT ZACHODNI
ul. Mostowa 27, 61-854 Poznań
tel. +61 852 28 54
fax +61 852 49 05
e-mail: wydawnictwo@iz.poznan.pl

Polskie elity polityczne wobec stosunków z Niemcami w ramach Unii Europejskiej

Praca zbiorowa pod redakcją Krzysztofa Malinowskiego

Studia Europejskie nr 20
ISBN 978-83-61736-65-3
streszczenie w j. angielskim
Poznań 2017, 342 ss.

Zbadanie poglądów i opinii polskich elit politycznych na temat relacji Polski z Niemcami w ramach Unii Europejskiej, ważne zarówno ze względów naukowych, jak i praktycznych, było celem projektu realizowanego w Instytucie Zachodnim w latach 2013-2016 (*Polskie elity polityczne wobec stosunków Polski z Niemcami w ramach Unii Europejskiej*). Chodziło o przeanalizowanie stanowiska polskich elit politycznych wobec istotnych zagadnień związanych z UE (wizje przekształceń, polityka wschodnia, sprawy bezpieczeństwa, problematyka energetyczno-klimatyczna) w okresie od początku kryzysu w strefie euro w 2009 r. do 2015 r., czyli do pojawienia się kryzysu migracyjnego. W ramach projektu przeanalizowano dyskurs elit parlamentarnych i środowisk eksperckich, a także przeprowadzono badania ankietowe i wywiady.

Stanowisko elit wobec stosunków Polski z Niemcami w krytycznej fazie rozwoju UE nacechowane było rozbieżnościami świadczącymi o braku konsensu politycznego. Miały one głębsze podłoże i wynikały z odrębnych podstawowych orientacji politycznych występujących wśród elit. Odmienne wyobrażenia o roli Polski w Europie i UE łączyły się z różnym podejściem do Niemiec i koncepcjami wzajemnych stosunków, a w tym przede wszystkim z kwestią, jak dalece strategiczne znaczenie mają Niemcy dla Polski w Europie. Można też zauważyć, że polaryzacja opinii i poglądów polskich elit na temat stosunków Polski z Niemcami następowała w korelacji z różnicowaniem się ocen coraz bardziej prominentnej, przywódczej roli, jaką Niemcy zaczęły odgrywać w UE w następstwie kryzysu zadłużenia w strefie euro oraz w obliczu konfliktu na Ukrainie. Różne interpretacje zachowania Niemiec korespondowały z brakiem konsensu w polskich elitach na temat oceny szans i perspektyw Polski w ramach Unii Europejskiej.