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State Capitalism in Poland[*]

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Abstract

Theoretical background: The article is devoted to the knowledge gap in understanding processes of growing state interventionism in a number of post-communist countries, Poland being one of the most notable examples. This evolution is still understudied in the literature, both in terms of evidence and proper theoretical framework. Existing theoretical perspectives have been created for studying other types

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of economies and do not fully fit the transition ones. Among these perspectives, the state capitalism (SC) one seems to be the most promising.
Purpose of the article: The task of this paper is to study the growing state interventionism in Poland using the SC approach which had to be refined by the authors in order to be more applicable for analyzing transition economies. Using this framework, the history of SC formation and its present state in Poland are studied, including specific features of Polish state capitalism, e.g. the importance of the state-owned enterprise (SOE) sector as the source of rents, as well as the varieties of the state control over the enterprise sector.
Research methods: The article makes use of mostly qualitative methods, quantitative ones playing an auxiliary role by systematizing evidence used in qualitative research. The study was based on analysis of the existing literature and evidence of interventionist practices of the Polish government. The authors attempted to fine-tune the SC approach both through refining its definition and including areas previously mostly neglected by SC studies such as relationships between the state and the enterprise sector. They created a typology of SC phenomena in transition economies which made it possible to study the Polish case in a comprehensive way.
Main findings: At this stage, the authors think that no strict definition of SC is possible because of its highly contextual character. Thus, the outcome of the study may not be universal, but the authors believe that their concept of six basic features of SC may be applicable not only to Poland, but to other transition economies as well. Besides, the article raises awareness of the importance of state-controlled enterprises in studies on SC. The article also identifies challenges for further research and the still existing knowledge gaps. Among others, the questions remain, whether the statist trends in Poland and other countries lead to a system change and what are the roots of these trends.

Introduction

In developed economies, the statist turn which took place at the end of the 2000s had mostly temporary character being a part of crisis management strategies; in other countries, including several post-communist countries, these trends seem to be of a more fundamental and long-term character. Poland is one of such countries: the former leader of market transition, now, together with another ex-leader, Hungary, is moving away from neoliberal values towards a wide-scale state interventionism and even authoritarianism. This evolution is still understudied, including its theoretical framework. The existing definitions of state capitalism are inadequate for this task; the analysis of the state capitalism developments in many countries with high degree of state interventionism is still scarce (Daiser et al., 2017) – Poland undoubtedly being one of these understudied countries. The biggest "state capitalists" such as China and Russia are still more attractive objects of research, even if Poland (together with Hungary) may be a regional trendsetter.

In the authors' view, the main gap in the "mainstream" studies on state capitalism in CEE (Farkas, 2016; Rapacki, 2019) is neglecting state ownership of enterprises and generally the role of the state in the enterprise sector. In quite scarce literature devoted to Poland (written almost solely by Polish authors), these issues have been tackled (Bałtowski & Kozarzewski, 2016; Szarzec & Nowara, 2017), as well as growing statism in the economic policy of the government in general (Kozarzewski & Bałtowski, 2017; Błaszczyk, 2017), but they were not discussed within the state capitalism concept. It leads to a high degree of fragmentation of the existing studies which so far are concentrated mainly on the most obvious manifestations of state capitalism. While there are good analyses of state-owned enterprises (SOEs), the largest gap seems to lay in the lack of proper description of the other issues of state capitalism, as well as its roots.

The task of this paper is to at least partially fill the existing gaps through studying the growing state interventionism in Poland using the state capitalism approach. In particular, the authors try to refine the state capitalism concept in order to make it more applicable for studying transition economies, and with the help of this to analyze state capitalism manifestations in Poland.

The structure of the paper is the following: the next section is devoted to the theoretical and methodological framework of state capitalism studies in transition countries. The subsequent sections contain the analysis of manifestations of state capitalism in Poland, both from the perspective of the framework described in the previous section and the uniqueness and contextuality of the Polish experience. The last section concludes the paper.

State capitalism in post-communist countries: Methodological and theoretical framework

Narrowly and broadly defined state capitalism

In the contemporary economic and political science literature, the term "state capitalism" is used in two different meanings that are referred to in this article in a narrow and a broad sense. In this paper both meanings of the term "state capitalism" are used.

In a broad or systemic approach, state capitalism is understood as a special type of economic system, which developed in many countries worldwide, particularly in China, as well as in some Third World and post-communist countries. In this sense, state capitalism is an economic system where both the state's functions and the scale of its intervention in the economy are incomparably larger than in free market capitalism, and state functions, as a rule, significantly go beyond the market failure areas. In state capitalism, admittedly, there exist, same as in free market capitalism, a significant private sector and core capitalist economy institutions such as commodity market, capital market and convertible currency, but their role and operating principles are, to a significant extent, set in an arbitrary manner by the state. The key feature is the state's discretional multidimensional impact on the economy, which means giving a higher priority, both in economic policy assumptions (rules) and in its practice, to political criteria than to economic and social ones. Such point of view is adopted (without naming it a "broad approach", as this article does), for example, by Bremmer (2010), Kurlantzick (2016) and Musacchio et al. (2015), and Wright et al. (2021).

The narrow approach refers to the microeconomic level; here state capitalism is characterized by the state having an active impact on the corporate sector, which goes beyond the contextual standards, mainly by means of ownership or quasi-ownership tools, as well as through various privileges for selected private companies (Musacchio & Lazzarini, 2012). From this perspective on state capitalism, of key importance is the relationship between the state and the largest and most important enterprises (Bower et al., 2011; Kurlantzick, 2016).

Six manifestations of state capitalism

In liberal market capitalism, the economy, as a rule, functions based on the competition mechanism, with system beneficiaries determined by the market; the market valuation of economic goods and resources translates into relevant financial streams and places where economic surplus accumulates. It is not so in state capitalism: the state interferes with the natural market mechanism in this area, changes the direction of financial streams, and, in consequence, entities or individuals indicated by the state become the system's beneficiaries. It seems that the category of the "system's non-market beneficiaries", created by the state, is crucial for understanding the essence of state capitalism, both broadly and narrowly defined.

The existing literature on state capitalism does not provide the adequate description of its features from the perspective of relations between firms and the state. Therefore, this article proposes a categorization through six features which can be identified in post-communist countries. Each of them involves relevant groups of beneficiaries of a specific government activity (Table 1).

Table 1. State capitalism features and their beneficiaries

Feature	Major beneficiaries
Politicization of SOEs	Ruling party officials, high-ranking state officials
Politicization of SOEs *à rebours*	State-owned enterprises, their employees and executives
Cronyism	Entrepreneurs and companies having "crony" connections with those in power
Oligarchy	Largest, important private companies and their owners
Economic populism	The society at large, especially "hesitant" voter groups
Economic nationalism	The state pursuing national interests (as defined by those in power)

Source: Authors' own study.

Politicization of SOEs arises when the existing stock of state-owned companies is treated by the authorities as a source of different types of economic rents. Most often, it is appointing high-ranking state officials or party officials (as well as individuals indicated by them) to positions on supervisory boards and management boards of SOEs or just to offering relatively well-paid jobs in the public domain to those individuals (nepotism). Politicization of SOEs also involves funding by SOEs, through advertisement or sponsoring, events and activities to improve the image of those currently in power or even of specific politicians.

Politicization of SOEs *à rebours* means the opposite phenomenon where the state's beneficiaries are SOEs themselves. Well-organized employees of SOEs, and often also their senior executives, exert all sorts of pressure on politicians and civil servants exercising property rights on behalf of the state. The objective is to preserve the privileges held or to make the state owner give up on the necessary restructuring processes, which would usually entail lay-offs. Politicians' "forbearance" with respect to pressure from SOEs is the cost – paid from the budget – of easing tensions or of buying voters' support.

Cronyism: here the group of beneficiaries includes economic entities from outside the public sector. Following a decision by the state and by other state entities (SOEs, state agencies, etc.), "crony" private entities are contracted, usually without a tendering procedure or with a fictitious one in place, to provide a broad range of services to the public sector. They include tasks such as supply of goods, legal and image-building services, sale and distribution of products on a fee basis, general contractor services for public projects, as well as facilitating access to loans granted by state banks to selected private companies.

Oligarchy represents an advanced form of cronyism. The first difference is the much larger scale of benefits reaped. Beneficiaries of cronyism are usually private entities that are anonymous to the public, whereas enterprises controlled by oligarch entrepreneurs who enjoy trust of the highest-ranking politicians are usually listed among a country's largest private enterprises. Second, through their close relations with the ruling elites, oligarchs have a real, very significant influence on the shape of the economic policy.

Economic populism arises where beneficiaries of a specific type of government impact on the economy are specific groups of voters. The purpose of the state's activities, which is of a paternalistic kind, is to win electoral votes of those very groups of citizens. The existence of a significant number of SOEs in the economy plays a major role here. It gives a real possibility to reward one's partisans with jobs, as well as other bonuses.

Economic nationalism means the state exerting an impact on the economy which declared objective is to enhance, in the long run, the state's political capacity, military power or international importance. In this respect, the state itself may be treated as the major beneficiary. The role of SOEs, especially of the so-called "national champions", is naturally significant here. They are important tools for building power and national pride, and they are meant to "protect" the national economy against "the exploitation by foreign capital".

State capitalism formation in Poland: A historical overview

By the end of the communist era, Polish economy was an incoherent mixture of command and market or quasi-market mechanisms and institutions. Comparing to the other communist states, the share of the private sector in the People's Republic of Poland was quite big (18.8% of the GNP in 1988), especially in non-industrial sectors. In 1988, the share of private entities in industry was 8.6% of the GNP in this sector (mainly small craftsman's businesses), 26.8% in construction and as high as 79.1% in agriculture (Bałtowski & Kozarzewski, 2014, p. 71). It should be noted, however, that private businesses were, on the one hand, under a tight control of the government, but on the other hand, they were to a large extent protected from competition. By the end of the 1970s, after the collapse of the technocratic reforms based on access to Western capital and technology, the inability of central planning to meet the development goals became obvious. Since then decentralization measures were gradually, albeit inconsequently introduced. The government has lost its discretionary power over SOEs as early as in 1981 when they were turned into self-governing and self-financing entities with only limited tools of state control left – dispersed among numerous state agencies. In the 1980s, most forms of discrimination against non-state forms of ownership were abolished. In 1988, the Law on Economic Activity officially declared the freedom of entrepreneurship introducing the free-market principle "everything is allowed apart from what is forbidden by law". In the same year, restrictions on foreign direct investments were lifted. The scale of centrally regulated prices was gradually declining and in 1989, the last decision of the last communist government was large-scale liberalization of consumer prices.

The outcome of these reforms was far from expected. Resignation from the direct control over the key parts of the economy such as the enterprise sector without introduction of consistent changes into the system, including institutional ones, made things even worse breaking the integrity of the system. It created ground for abusing the economy by various rent-seeking groups both in the enterprise sector and the state bureaucracy which "privatized" profits from economic activity (sometimes literally, through "*nomenklatura* privatization" – tunneling the SOEs assets by their managers to private companies founded by them) and access to resources, while transferring the costs to the society. All this led to further deterioration of the Polish economy, deepening recession, growing imbalances such as widespread shortages of investment and consumer goods and growing inflation.

The reformist government which has been formed in autumn 1989 had, therefore, a dual task of overcoming the economic crisis and building the new system which would ensure stable economic development of the country. The main concept of the reforms was based on the Washington Consensus principles and aimed at the creation of liberal market economy. The reforms consisted of the three pillars: stabilization, liberalization and institutional reforms, in which privatization (both of SOEs and as creation of green field businesses) played the major role. Unlike many other countries in the region, Poland resigned from a wide use of wholesale methods of SOEs privatization and generally from attempts to obtain the highest possible speed of privatization, especially of medium and large enterprises. It was believed that the quality of privatization deals was essential in order to meet their economic and social goals; also a favorable institutional environment for business activity should be created, including efficient financial markets. It was believed that when SOEs were subject to hard budget constraints and devoid other privileges, including their monopolistic positions, their rapid privatization seized to be urgent.

Since the very beginning of the transition, ownership policy of the state was concentrated on privatization. The government looked for efficient strategic investors for the large and most important medium-size enterprises which, due to the lack of domestic private capital and relatively favorable investment climate, contributed to massive inflow of FDI (also as green field investments). It created an FDI-led development path.

At the same time, little was done to consolidate corporate governance of the state – partially due to the belief that the SOEs problem would eventually "solve by itself" in the course of privatization. Since the early 1990s, the state's control over commercialized SOEs started to politicize and the foundations for gradual re-statization of the Polish economy were created. By the mid-90s, a certain consensus among the main political forces has been formed which treated SOEs as a bounty of the winning party through nominating "their" people on the SOEs boards, with the representative of the state owner – Ministry of the Treasury – playing the role of distribution of these bounties. Change of the ruling coalition led to appropriate mass changes on these boards which were tolerated by the losers. This arrangement proved to be very stable and survived till now – apparently due to the efficient political competition which meant for every ruling party that sooner or later it would be in opposition again.

At the same time, also since the early 1990s, attempts were made to restrict privatization of selected large enterprises because of their allegedly strategic role in the economy. It was accompanied with partial recentralization of selected industries which were under the state control (coal mining, sugar, petrol, ferrous metallurgy and banking) officially in order to facilitate their restructuring, to reduce costs, to increase their value before privatization, etc. In practice, this policy led to the creation or consolidation of powerful interest groups both within sectors and among the political elites which in many cases stopped both real restructuring of SOEs and their subsequent privatization. Nowadays, coal mining and petrol industry still stay mostly concentrated and state-controlled. Among non-ownership means of the state intervention in the economy, the initial liberalization of business activity was subsequently limited by introducing tighter legal requirements, among others increasing the number of licensing requirements – many of which are still in force. Despite these statist tendencies, during the 1990s the Polish economy as a whole was being steadily de-statized, privatization involving the increasing number of SOEs, including sectors which previously had been a privatization taboo, such as banking and energy.

In the new century, the statist backsliding continued: the political carousel of SOEs boards' nominations intensified; politically important SOEs got official and unofficial support and privileges. In return, SOEs started to be more actively used as a source of budget revenues. In the 2010s, the trend evolved into gradual change of the paradigm of the role of the state in the economy, especially in the enterprise sector. Before that, in the official discourse SOEs were treated rather as a necessary evil which had to withstand market failures. Now, the state no longer withdraws from the direct control over business entities. It stays a powerful player on the market for a longer perspective; and even tries to expand its role – among others, it led to gradual slowdown of privatization, up to its complete halt in 2015. Instead, the state began regaining control over previously privatized companies, especially in the banking and energy sectors. Growing statism is accompanied with a kind of economic xenophobia, which claims that only domestic capital in key sectors of the Polish economy can secure the country's vital interests – not only economic, but also social and political. This turn was completed by the government which was formed after a populist PiS party (*Prawo i Sprawiedliwość* – Law and Justice) had won the 2015 elections and meant the final resignation from the FDI-led development path (openly challenged as harmful for the Polish state interests) replacing it with state capitalism. Centralized regulation and state investments started to be treated as the main vehicle of development and superior to market mechanisms and private property (especially of foreign descent).

The history of state capitalism development in the course of the Polish transition shows two peculiarities. Firstly, its highly evolutional character: market reforms led to gradual dismantling of the statist order which had formed under communism; but as early as in the mid-1990s new statist tendencies started to develop, leading to qualitative change of the system in the second half of the 2010s. Secondly, the reasons for this statist shift cannot be reduced to ideological issues and rivalry between the main groups of Polish political elites, because of very high degree of continuity between the policies of the subsequent ruling coalitions – regardless how strongly they stressed their ideological detachment from the predecessors.

Features of state capitalism in Poland

In Poland, two of six manifestations of state capitalism presented above seem to be the most prominent.

The first one is politicization of SOEs. The commercialization of SOEs provided ample room for political capital to emerge. Firstly, supervisory boards and management boards of companies were populated, on politicians' recommendation, with people who were "one of them", though often devoid of adequate qualifications – the ruling party's apparatus officials, senior civil servants and people from the outside but nominated by politicians. Secondly, the existence of a large group of state-dependent enterprises provided an opportunity of stable, quite well-paid employment for individuals nominated by politicians. Thirdly, those state enterprises were widely used by politicians to fund the party, propaganda and electoral events, etc.

Politically-motivated nominations to state enterprise governing bodies, often carried out contrary to the principles of corporate governance, decreased the enterprises' operating efficiency. This would often cause them to lose value before privatization, opening another area of pathology.

Polish privatization progressed quite slowly, which was the cause of the relatively large scope of political capitalism in Poland during the initial period of transition. As privatization processes intensified, the scale of this phenomenon started to diminish. Nevertheless, with respect to the existing number of state enterprises, its intensity is still very high and is growing due to the changing attitude of the PiS government towards the state sector.

The second one is politicization of SOEs *à rebours*. Empirical research by Hellman et al. (2003) carried out in the early 21st century yielded some interesting findings suggesting that in post-communist countries, SOEs would, much more frequently than commonly believed, exert an influence on politicians to disrupt the legislative process and introduce various legal regulations to further their specific interests. Of course, this would always occur to the disadvantage of other market participants, including consumers. This way, the universal property rights were substituted for by "individualized protection", with the "inequality of influence" becoming institutionally established (Glaeser et al., 2003; Sonin, 2003).

In Poland, the phenomenon of SOEs politicization *à rebours* was the strongest in the mid-1990s, when social democratic coalition was in power, and then under the coalition of populist parties supported (or even consolidated) by the still strong "Solidarity" trade union. The then authorities, in the name of social peace, and to maintain the trade unions' political support, agreed to all sorts of concessions and privileges, especially with respect to the largest enterprises (and their staff). Power industry employees would get guaranteed long-term employment, and extraordinary salary benefits. Unprofitable hard coal mines were kept alive with government subsidies; the state took none of the necessary restructuring actions with respect to highly "unionized" industries such as railway or sugar industry, and industry monopolies were strengthening.

Politicization of SOEs *à rebours* naturally decreased in Poland as privatization processes intensified, from the late 1990s onwards. Besides, since 2004, Poland as an EU Member State has been bound by the state aid notification regulations, as well as by strict antitrust regulations, which definitely made it more difficult to run an economic policy that gave any kinds of preferences to state enterprises. But did not make it impossible, what could be seen in many actions of the PiS government aimed at squeezing out private companies from selected branches of economy such as unofficial preferences for SOEs in procurement tenders (e.g. for the army), creating conditions for SOEs dominant position on the market, etc.

Turning to **other features of state capitalism**, it may be argued that the phenomena of cronyism and especially oligarchic capitalism in Poland never reached significant proportions that would jeopardize the implementation of the reforms. Undoubtedly, cronyism was present in Poland since the beginning of transition, but its scale was much lower than in other CEE countries.

The lack of oligarchs is often considered to be among the greatest successes of Polish economic and political transition. On the one hand, it stemmed from certain general principles of the state's economic policy early into the transition process, providing for separating the political sphere from the economy, as adopted as part of the so-called "Balcerowicz Plan" of post-communist economic reforms adopted in autumn 1989. On the other hand, it is the effect of the SOEs privatization model adopted in Poland, based on slow but transparent ownership transformation, without privileges for domestic capital (Bałtowski & Sękowski, 2021).

The phenomenon of economic populism, quite sporadic in the first quarter century of the transition, naturally gained importance after the 2008–2009 global crisis and grew when the PiS coalition took power in the autumn of 2015. The promises of wide support for those on the losing end of the transition process were actually among the principal causes of the electoral success. This feature of state capitalism is quite common in post-communist countries due to the nostalgia for the communist variety of welfare state still prevailing in certain social groups; a major part of the society accepts and even expects a paternalistic attitude from the state.

When it comes to economic nationalism, in Poland throughout the transition period until 2015, there had been no significant state activities in this vein. Though usually during the rule of coalitions which in Poland are called "right-wing" (although having quite leftist economic programs) recourse was sometimes made, more in the political rhetoric than in economic practice, to slogans such as defense of national economic interests, stopping the privatization seen as selling out family heirlooms, "domestication" of the banking sector or rebuilding Polish state industry – but mostly they had little impact on the real economic policy.

These slogans radically gained practical importance after the "right-wing" camp's win in parliamentary elections in the autumn of 2015, and they were followed by specific actions from the new government. A number of spectacular nationalization procedures were completed. The state-controlled large insurance group PZU SA along with the state investment fund PFR SA bought out from UniCredit bank group a controlling stake in Poland's second largest bank, Pekao SA. Another large bank, Alior SA, was also taken out of private hands. State power companies took over the assets put up for sale by the French EDF group. The buyout of the cable car in Zakopane (Polish winter sports resort) from the Austrian investor, built 80 years ago by the Polish state and privatized several years back, was another transaction that acquired a symbolic significance of "the privatization reversal". All those state measures were accompanied by pushy propaganda in the government-controlled media, exploiting the theme of struggle against foreign capital, "Poland getting up off its knees" and making Polish economy great again.

There were several other events presented as the state's concern for welfare and security of the nation. For example, it was the suspension, in the autumn of 2018 – pursuant to an *ad hoc* law (*lex specialis*) – of the announced electricity price rise (which meant a very strong state interference with the operations of power companies that were mostly state-owned).After the pandemic broke, large SOEs were used to finance anti-COVID measures. Several SOEs were also forced to finance strengthening the Eastern border guard services during the late 2021 refugee crisis.

Peculiarities of state capitalism in Poland

State capitalism in Poland has several peculiar, country-specific manifestations which are worth being discussed.

Firstly, **the state domain is much larger than it seems**.

According to estimations (Bałtowski & Kozarzewski, 2016), the formal ownership structure of the Polish economy, as measured by full or majority stakes in enterprises, appears quite similar to that of the developed countries of Western Europe. The share of SOEs in the non-financial sector is approximately 9–11%, regardless how it is measured (share in the GDP, employment, etc.). However, there is a quite big number of enterprises (especially among the largest companies) which are formally private (majority ownership belongs to private investors) but the state – using various owner and non-owner tools – exercises control over them. Bałtowski and Kozarzewski (2016) call such companies "state-controlled enterprises" (SCEs), leaving the term "SOE" only to describe companies with the majority ownership of the state. Observing SCEs for a longer period shows that the way they function is very similar to the functioning of SOEs. The boards of these companies are subject to politically motivated personnel decisions; the state *de facto* determines their development strategies, it is also the state that decides every year on the amount of the dividend these companies will pay out.

The main reason for SCEs existence was the so-called reluctant privatization, the term coined by Bortolotti and Faccio (2009), when the government, seeking for privatization revenues, did not want to lose control over privatized enterprises transferring ownership rights without appropriate transfer of control rights. In fact, SCEs form an essential part of the enterprise sector in Poland increasing the state domain up to 15–16% (Bałtowski & Kozarzewski, 2016). Another peculiarity is that SCEs are predominantly large and very large firms with significant impact on the market (discussed further in this paper).

The state uses three sets of tools for keeping the control over the SCEs. The first one is the special rights of the state owner granted by the law – initially it was a golden share. After in 2006 the European Commission banned golden share regulations as they constituted restrictions on the free movement of capital, the Polish government started to look for another measures that would allow it to have more influence on the strategic decisions of selected companies than would be implied under the property rights that the state actually owned. In July 2015, the Parliament adopted the law "On Control of Certain Investments" which granted the government the right to, as the law put it, "protect a business entity", i.e. to block acquisition of shares of a number of companies which have strategic importance for the economy by a new controlling investor – even if the company was fully private. This regulation made it possible to block a number of transactions between private investors and eventually led to nationalization of several power plants, where the state was the only buyer the government did not object.

The second set of tools is dominant shareholder position of the state. In the case of the Polish stock market, characterized generally by a small extent of free float and a crucial role of institutional shareholders, holding 30–40% of shares is enough to exercise this type of control. Such a situation occurs in the case of the largest and the most important listed companies with minority state's shareholding. Under particular circumstances, when, e.g. a high number of private shareholders declare their presence at the general meeting, the government has to seek allies to gain a required number of votes among some institutional investors, e.g. investment funds. The latter was the case, e.g. at a few general meetings of PKN Orlen SA, where the state exercises actual control despite holding only 27.5% of shares.

The third set of tools is statute provisions favoring the state owner. These provisions most often take a form of voting caps limiting the voting rights of some non-state shareholders. It is usually stated that none of the shareholders have voting rights to exercise more than 10% (or 20%) of votes, regardless of the number of shares they hold. This limitation does not apply to the state. Such provisions were included in the statutes of all important listed companies in Poland with minority state shareholding. In some companies in which the state is a minority shareholder (e.g. PKN Orlen SA) as well as a majority shareholder (e.g. PGE SA), other provisions are added extending the rights of the state shareholder – such as the government's right to appoint one member of the Supervisory Board directly.

Secondly, it is **a high rent-seeking potential of the SOE sector**.

Unlike some other post-communist countries, especially many of CIS members, privatization process in Poland and private sector as a whole proved to be resistant to rent-seeking behavior – mainly due to mostly consensual, transparent and equivalent character of the privatization deals, and transparent character of emerging financial markets which from the very beginning were subject of strict rules and control with efficient enforcement mechanisms. Whereas, as it has already been noted, the SCE sector, in the absence of efficient state corporate governance mechanisms, created fertile ground for vested interests to flourish. For them, both consolidation (together with de-politicization) of SCEs over SOEs and their privatization posed a threat as they reduced the sources of rent. It may be argued that this reduction was one of the main causes for the "reluctant privatization" and crawling nationalization.

In the course of transition, an extensive nexus of rent-seeking activities in the state-controlled sector of the Polish economy was formed. The main distributor of rents is the political class which actually has power, being simultaneously the main rent-seeker, alongside with persons who have close links with it – quite similar to Magyar's (2016) "adopted family" in Hungary. Within the political class and outside it (interest groups such as SOE employees and other groups which are attractive as voters) rents bring profits for the both sides of the transaction: those who distributed rents of economic kind got political profits in return (Kozarzewski, 2021, pp. 212–215). Together with quite efficient democratic institutions which ensured political competition and some degree of public control over the ruling class, it created a peculiar and relatively sustainable system in which empowered private interest groups were subject of periodical rotation (as a result of election or political crises), while the sources of rents remained the same. It created the state of equilibrium which prevented authoritarian temptations to seize more power in order to have more rents; on the other hand, it jeopardized the possibilities of destroying the rent-seeking nexus formed around the SOEs sector.

In the second half of the 2010s, after winning the elections, the PiS politicians, in order to monopolize rents, started undermining this equilibrium through attempts to destroy the rule of law and political competition. At the same time, the new statism-based development paradigm was declared. It led to a paradoxical situation, when, on the one hand, the political class tried to expand rent-seeking and at the same time the new economic policy with increased role of the state in the enterprise sector led to increasing use of SOEs for achieving private gains. On the other hand, a development strategy based on the state as the core investor requires optimization of SOEs functioning: increasing their transparency, effectiveness and the ability of meeting the development goals rather than serve private interests. In fact, attempts of the government to restrict rent-seeking in the SOE sector can be seen (mainly through changes on the companies' boards and anti-corruption investigations), but, unsurprisingly, they remain inefficient.

Thirdly, it is **peculiarities of the largest enterprises** in the country.

The privatization of the largest and most important Polish SOEs was carried out from the last years of the 20th century until as late as 2012 using the capital market. There were two procedural paths in place. Either the government would sell a controlling stake to a selected foreign investor, with the rest being sold through an IPO. Or the shares were sold through an IPO without a strategic investor, and the government kept its majority or even the minority stake, yet allowing, through the tools of "reluctant privatization", to retain the state's corporate control. At the same time, some large SOEs were excluded from privatization.

The 20 largest Polish non-financial companies currently include 9 state-controlled firms, 6 of them with a majority stake (Table 2). Comparing with previous years, the state expanded its control over the largest enterprises: in 2007, there were 8 state-controlled firms and only in 3 of them the state had the majority stake. The share of SOEs in the turnover and employment of the Top 20 companies also increased. The corporate control of the state covers the largest Polish company (PKN Orlen – gas and oil), the largest industrial company (KGHM PM – metals and mining), four leading energy corporations, as well as three dominant financial institutions not included in Table 2: PKO PB and Pekao SA (both banks), and an insurance company, PZU.

Table 2. State enterprises among the 20 largest non-financial companies (measured by revenues), as of December 31, 2020

SOEs	Number	Turnover (PLN bn.)	Employment (thousand)
Top 20	20	575.2	385.2
SOEs	9	358.3	192.3
out of which the state possesses:			
more than 50% of shares	6	228.1	120.2
25–50% of shares	3	130.2	72.1
Share of SOEs in the Top 20	45%	62.3%	49.9%
out of which the state possesses:			
more than 50% of shares	30%	39.7%	31.2%
25–50% of shares	15%	22.6%	18.7%

Source: Authors' own study based on (*Rzeczpospolita*, November 29, 2021).

In the case of the largest Polish listed companies, till recently the dominance of state entities was even more pronounced, as is the dominance of state control that is not based on majority ownership. At the end of 2020, the Polish government had corporate control over 11 out of the 20 largest Polish public companies listed on the Warsaw Stock Exchange (WSE) flagship index, WIG20. Of these 11 listed companies, the state share is above 50% for 4, and 25–50% for 7.

Until 2004, state companies' share of capitalization of WIG20 index was 20–35%, which is comparable to the stock exchanges in some developed countries that have an extensive state enterprise sector. After 2005, this share significantly increased to 40–45% and since 2010, it has been at a very high level of 60–70%. Since 2016, the share was steadily growing, exceeding 75% in 2019, mainly due to the increasing share of companies where the state is the minority but still controlling owner. This was one of the highest values on the global stock markets (Figure 1).

The situation changed in 2020 after a private e-commerce giant Allegro made its IPO and entered WIG20 becoming the most valuable company on the Warsaw Stock Exchange. Subsequently, the state-controlled companies' share in this index decreased to less than 50%. Additionally, in 2020–2021, due to various reasons (including the COVID pandemic and declining investors' confidence in SOEs), the value of listed state controlled companies started decreasing.

However, falling share of SOEs in capitalization does not mean their decreasing importance in the Polish economy and in the economic policy. Still, the impact through state-controlled enterprises is the most important tool of state capitalism in Poland.

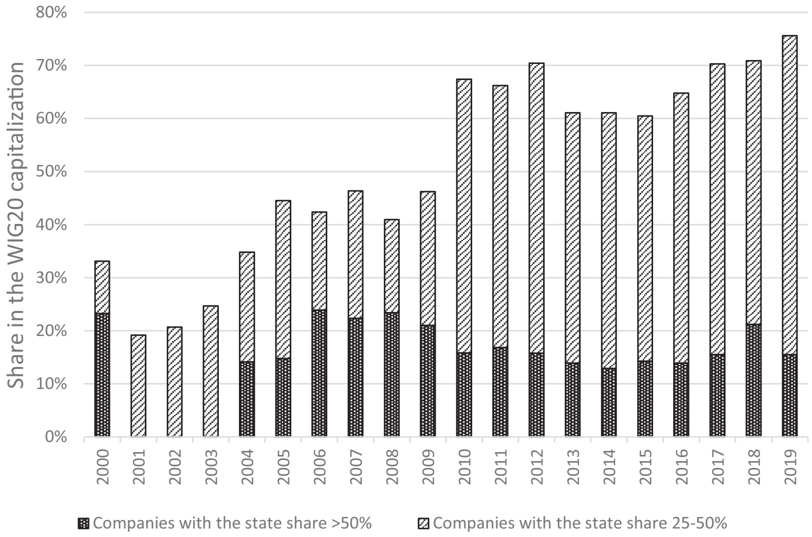

Figure 1. The share of state-controlled companies in the WIG20 capitalization (in %)

Source: Authors' own study using the WSE data.

Some concluding remarks and discussion

The studies on the state capitalism in Poland are still in their nascent stage which comes from both the underdeveloped state capitalism concept (especially applied to transition countries and to the role of the state in the enterprise sector), as well as relative novelty of the outright statist trends in the economic policy of the Polish government. At the same time, the increasing crawling re-centralization of the economy, which started already in the 1990s, was largely neglected in the literature. In this paper, the authors attempted to at least partially close these both gaps – not treating their findings as definite answers but rather as a contribution to the discussion on the nature of contemporary state interventionism.

Conceptually, an attempt was made to make a definition of state capitalism more precise and increase its applicability to transition economies. At this stage, the authors think that no strict definition of state capitalism is possible because it is too heterogeneous, it may be a separate economic system and/or a set of economic policy tools which, in their turn, also vary in time and from country to country – so a model created for Poland only cannot be universal. To put this chaos somewhat in order, the article proposes the concept of six basic features of state capitalism in transition countries which may manifest themselves in a given country with different intensity and character. Doing this, the authors also tried to raise the awareness of the importance of state-controlled enterprises in studies on state capitalism.

Still, some unanswered questions remain, the main being whether the Polish statist turn is just some deviation within the existing economic system or demonstrates transition to a new system, which may be called “state capitalism”. In other words, whether state capitalism in Poland is just a set of economic policy tools, or the system change.

The second gap, of a factual kind, is recently not so deep, because more and more researchers gather information on manifestations of the statism in Poland and look for explanations. Statism is an on-going process in Poland, thus, the task of gathering information remains actual, but the main challenges lay elsewhere. The first one is putting all this in a proper theoretical perspective – and in the article an attempt to do it using the perspective of state capitalism was made. The second one is to identify the roots of growing statism, their causes and driving forces. The article just lightly tackled these issues. The third challenge is the necessity to evaluate the state capitalism manifestations from the point of view of achieving economic and social development goals. Here the article’s contribution is more than modest – but the authors believe that in the Polish context evolution towards state capitalism is a step back. Finally, an answer should be sought to the policy question: How to counteract the negative effects of state capitalism?

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