

Filip Borysewicz

THE PROBLEM OF CONSOLIDATION OF PUBLIC FINANCES IN POLAND.
METHODOLOGICAL ASSESSMENTS.

SUMMARY

Public finances in Poland are burdened with chronic inefficiency, understood as a permanently recurring budget deficit. The result is public debt, which consequently leads to many negative phenomena. The aim of the research contained in the study was to estimate the scale of the actual debt of public finances using the proposed quantitative models and to change the view on the problem of consolidation of the state budget and the public finance sector.

To show the complexity of the subject, the author used numerous theories concerning public finances, guiding the reader through the issues of public deficit and debt. The legal aspects of the creation of public debt and the analysis of the impact of public finance burdens on the budget balance have been juxtaposed with proposals for solutions to the problem of dysfunctions and the principles of public finance management that have been functioning so far.

As the basic difficulty in estimating and interpreting debt ratios, the author pointed to the defective of the measure of Gross Domestic Product as an indicator of economic development and the widespread use of GDP as a basis for calculating debt ratios of both the state budget and public finance sectors. In order to estimate the public finance debt ratios, the author proposed his own quantitative models: properDEFICIT, properDEPT and properGDP, which, due to their usefulness and universality, were applied for Poland in the years 2000 - 2019 and for the countries of the European Union in the years 2000 - 2019. These models, in addition to showing the actual scale of the burden, are intended to facilitate the estimation of the potential for budget consolidation and debt repayment. The properGDP model is a model which addresses real economic growth. The cumulative value of newly produced goods and services under conditions of a high degree of fiscalisation of the economy, which is understood as a high share of public finance expenditure in the economy, adjusted for liabilities generated by public authorities, has given a different picture of economic growth than the indicators published officially so far.

It's important to take under consideration the fiscal risk matrix. This matrix considers public liabilities according to their type, which can be: direct, indirect, formal, informal, declarative or potential. In the study, the author referred to data includes formal - direct - liabilities, indicating that this is the only quantifiable range of commitments.

The lack of transparency, regularity and reliability of public statistics makes it difficult to conduct reliable research on the overall obligations of the state. The greater the political pressure to implement populist demands, the expansion of social expenditure, and the more frequent the withdrawal from

previously undertaken reforms, the greater the motivation of the authorities to introduce solutions for so-called creative accounting and pushing commitments into special purpose funds.

As an example of withdrawal from previously undertaken economic reforms, the author focused in the study on the liquidation of the funded OFE system, which is an element of pension security, to which the state budget transfers a significant part of its income in the form of grants and loans. One of the main burdens on public finances in Poland is the inefficiency of the social security system. This system, despite attempts at reform, is characterised by significant dysfunctions and changes which, in the long term, will cause effects which are difficult to estimate, but which, in the short term, are associated with additional burdens in the form of an increase in labour costs. The problem of dysfunctions in the pension and social security system affects most developed countries.

The author has taken up the subject of the inefficiency of the tax system in Poland, in which, despite the declarations of the authorities and the introduction of new fiscal control mechanisms, a significant tax gap still exists. As a result, the percentage decrease in the value of the tax gap in relation to the value of potential tax revenue is burdened with increasing difficulties in conducting business activity.

In the period under examination, Poland's membership of the structures of the European Union and the use of European funds were significant. Arguments of Euro-sceptics about the losses associated with Poland's participation in the EU are confronted to the benefits of absorption of structural funds, which resulted not only in the tasks carried out but also in a positive effect on the budget in the form of tax revenue, a reduction in unemployment and an increase in private and other investments.

The dissertation ends with conclusions summarising the research. Because the United Kingdom left the European Union on 1 January 2021, the conclusions include conclusions for Poland and for the EU-27 countries.