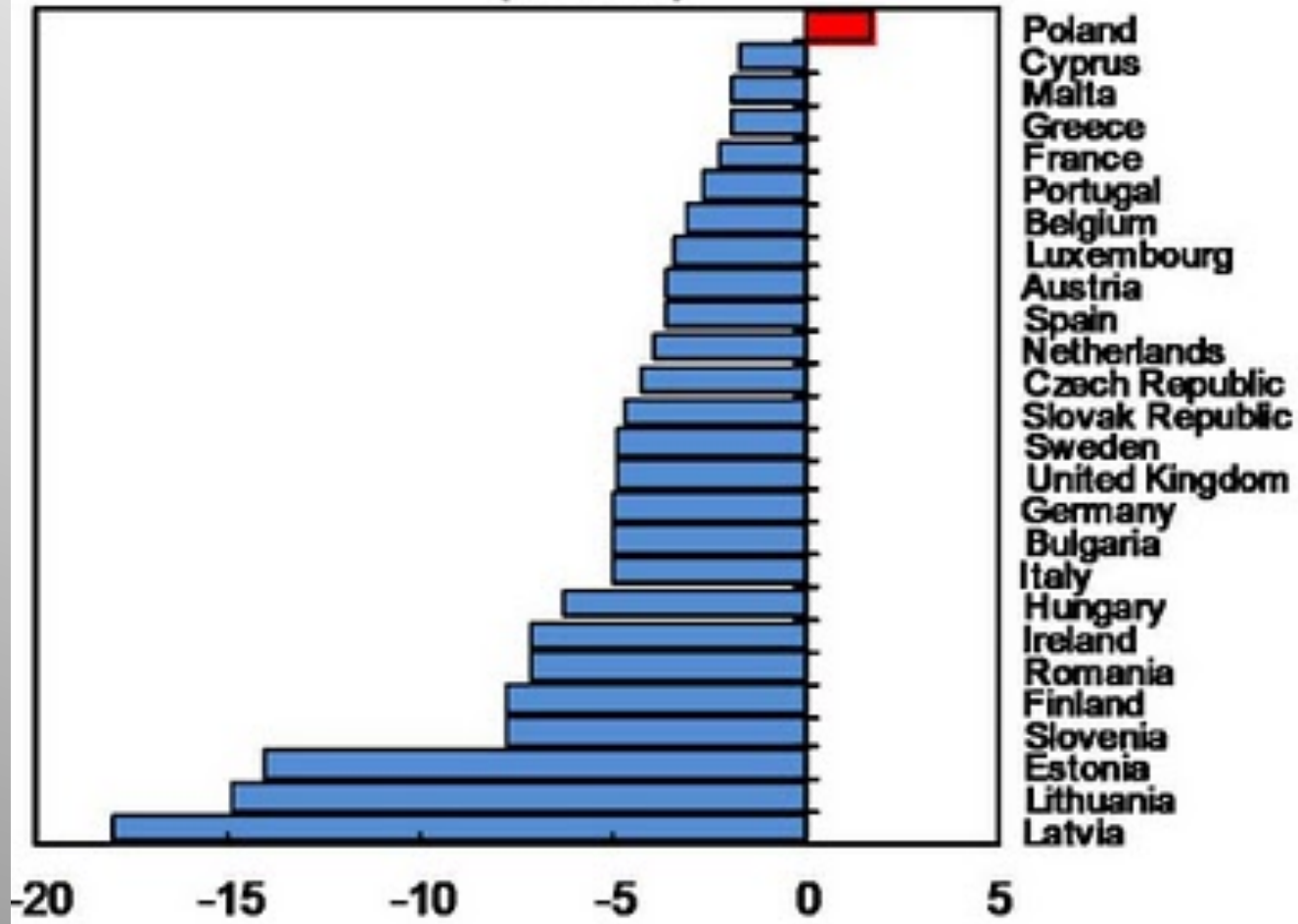


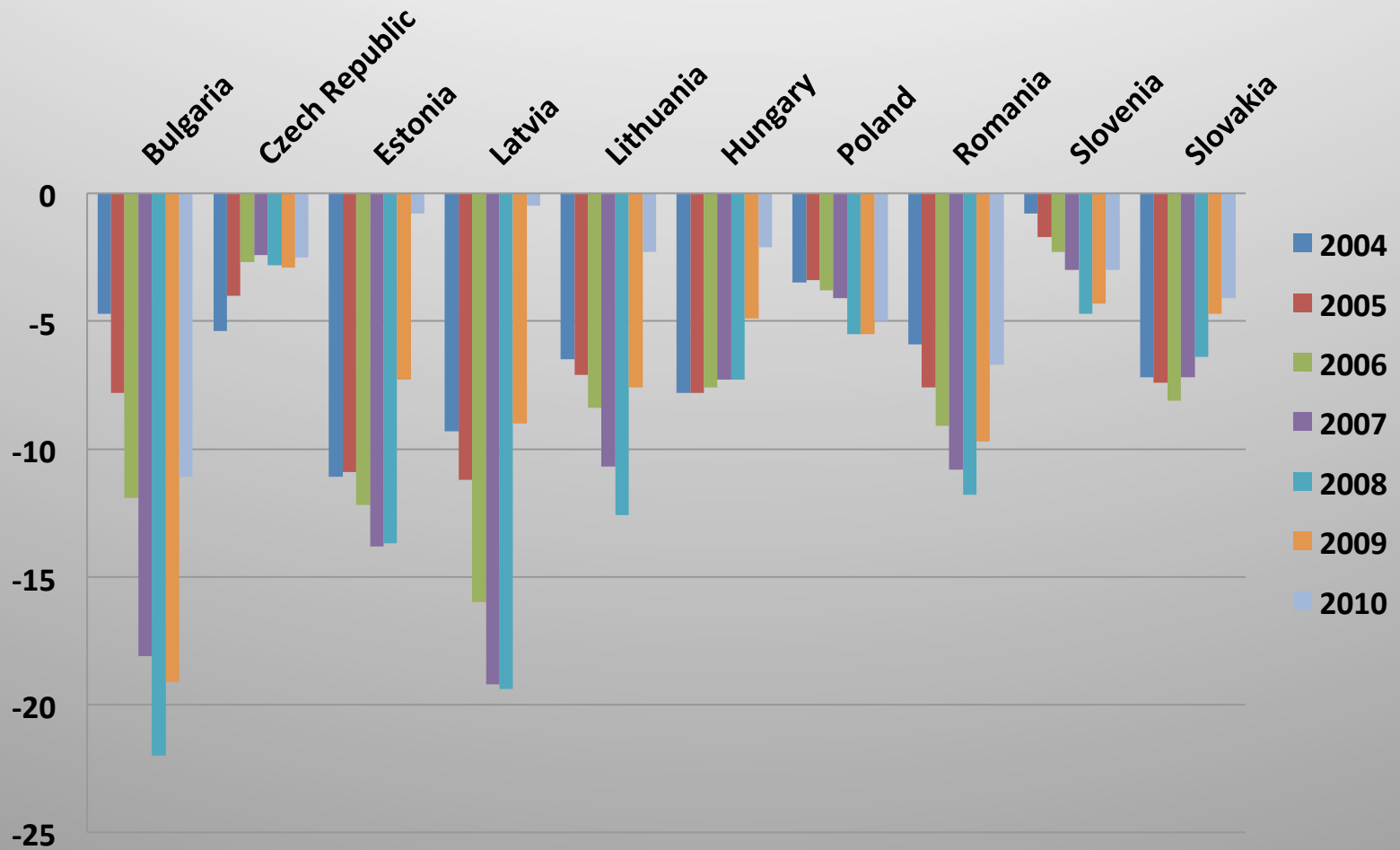
# **Is the current financial crisis also a crisis of the Europeanization model?**

**Evidence from Poland**

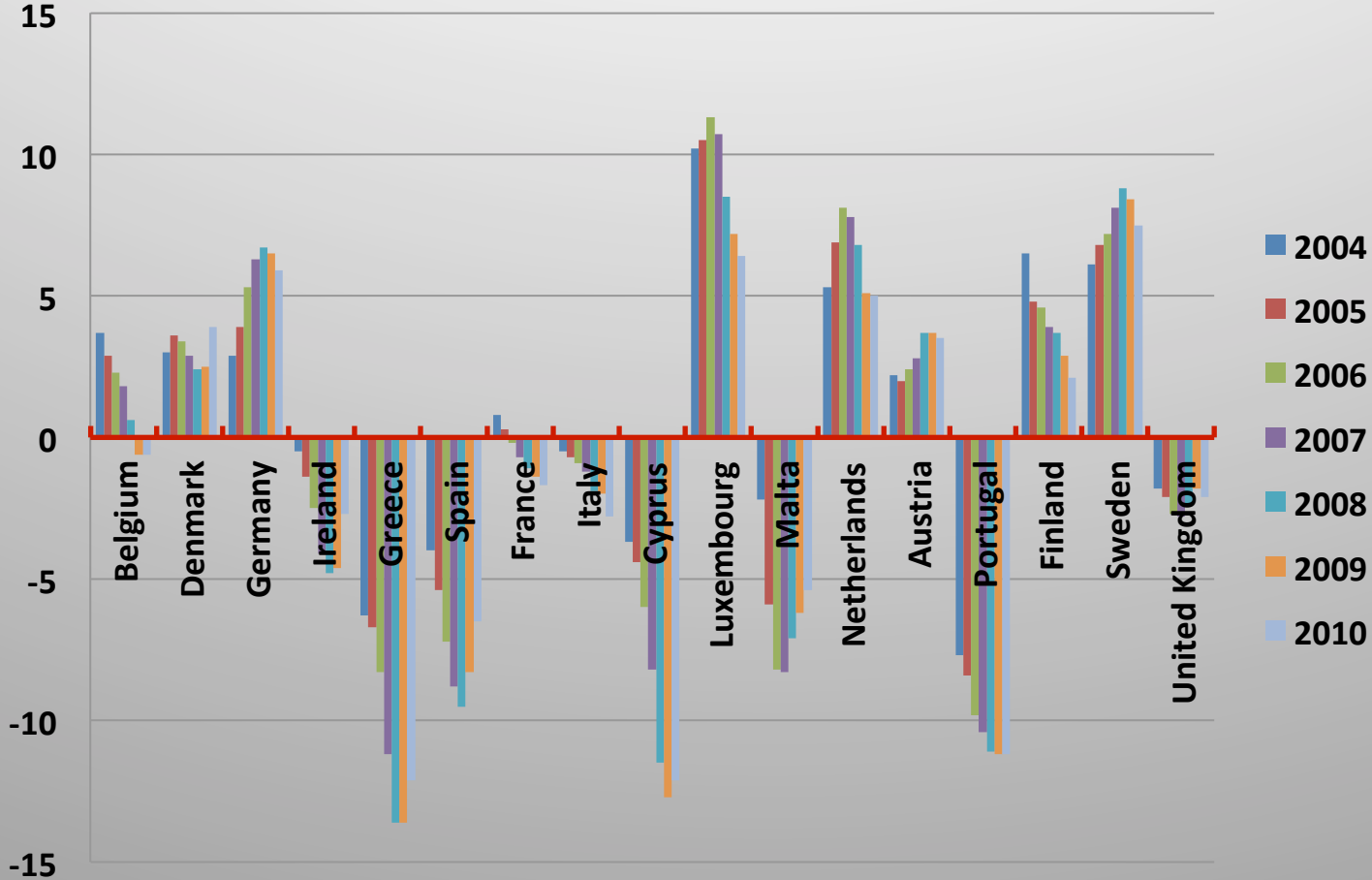
### EU27: GDP Growth, 2009 (Percent)



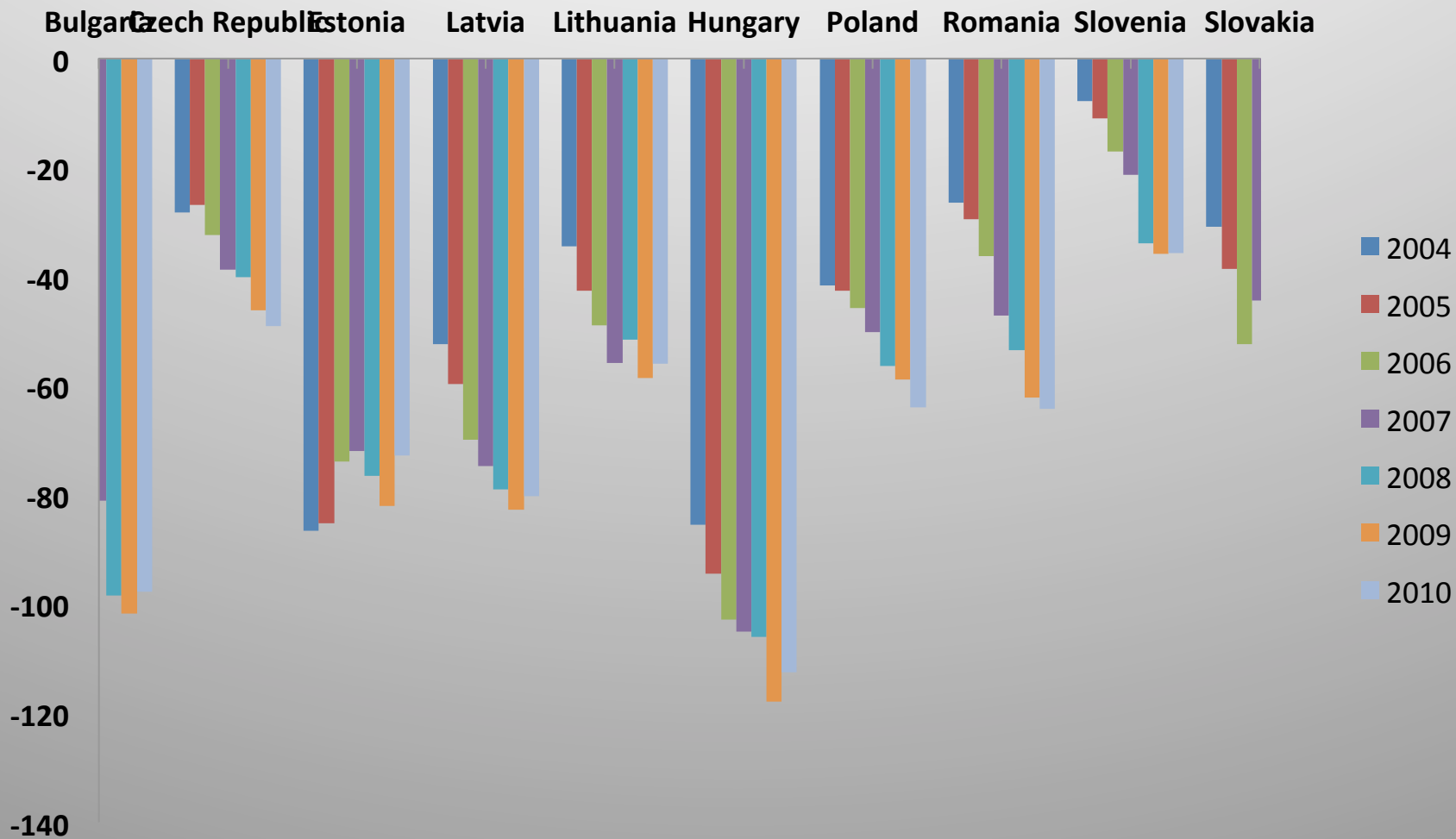
## Current account in % of GDP



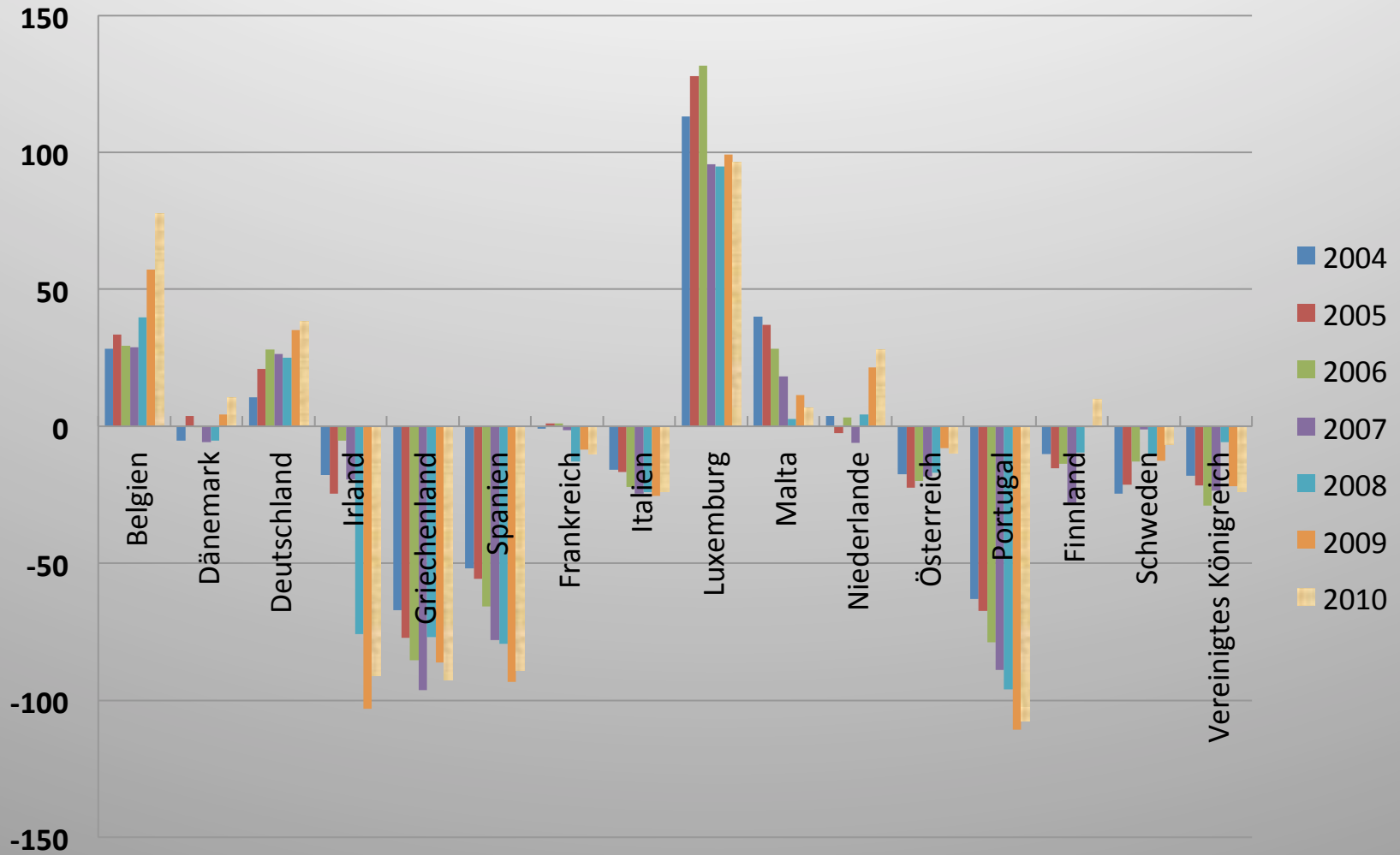
### Current account in % of GDP



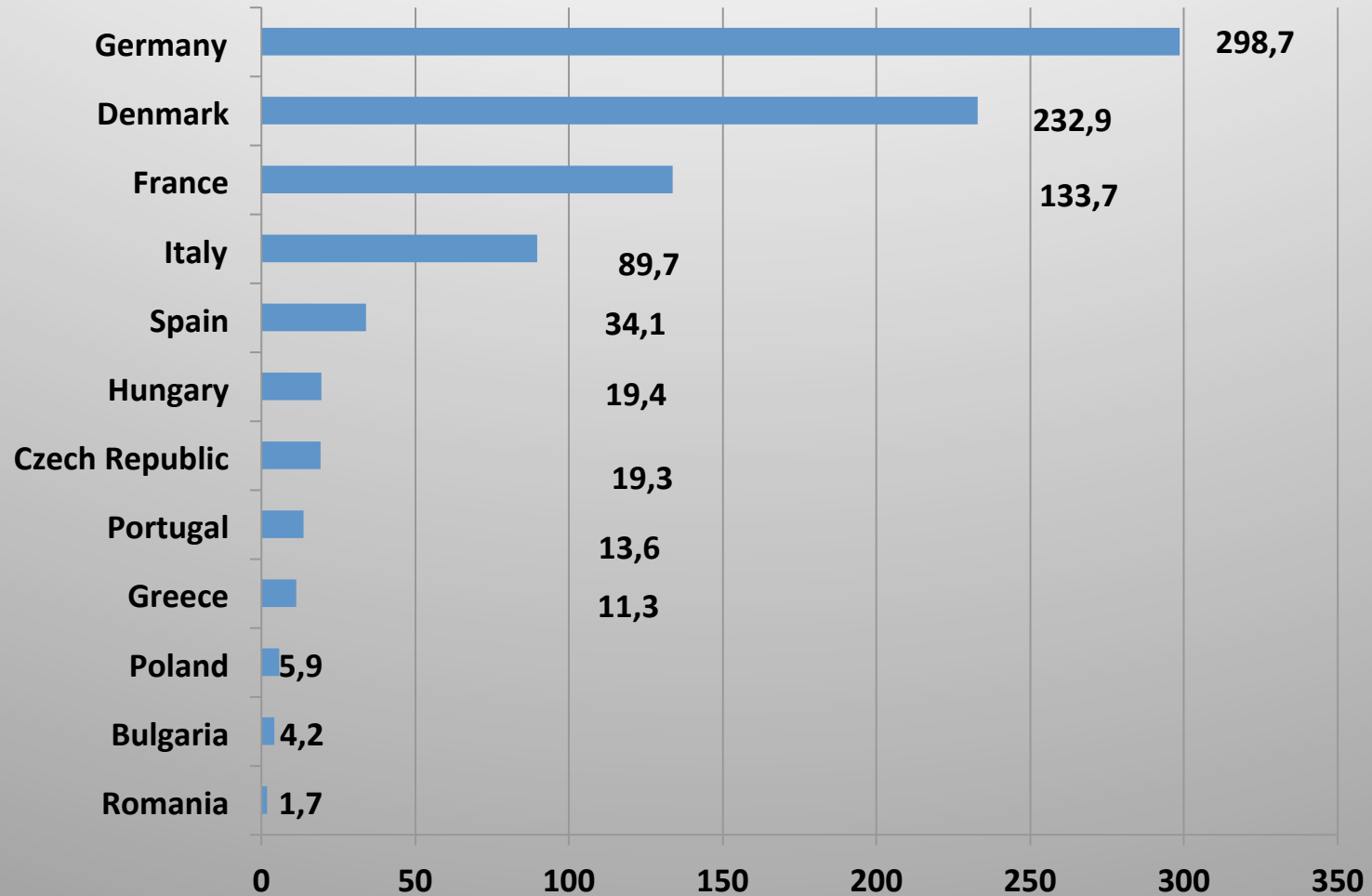
## Net investment position in % of GDP



## Net investment position in % of GDP



## Patent applications to the EPO per million inhab. in 2008



# The thesis

These imbalances are not by accident, they are a logical consequence of the development model based on the assumptions that:

1. the capital import is a transitory, however, necessary step of the economic development;
2. little can be done about the lack of the domestic capital;
3. the best way of development is to import the western technology.



The Europeanization process has not addressed two crucial points which are at the core of the macroeconomic imbalances:

1. The access to the legal property titles
2. The access to financial market on competitive conditions

# What are property rights?

- **Institutional Economics**

All socially recognized rights of action

- Power de facto  
(bundle of sticks, each of which represents a different aspect of property rights)

- **Ownership Economics**

Only legal existing property titles

- Power de iure  
(property)
- Power de facto  
(possession)

# Differences between possession and property

## Possession

- the right to use;
- to change;
- to sell;
- to take earnings.

## Property

**to pledge or to burden the title-side of property in order to generate financial instruments.**

# Areas in Poland in possession status

- Privatization without entitlement
- Possession status of:
  - flats in blocks,
  - the so called Regained Lands,
  - Plots of workers from former State Agriculture Companies
- Social policy at the expense of the collateral function of property

## Legal constraints on activating property titles in monetary contracts:

- the land register are still outdated,
- development plans in cities and communities are missing or incomplete,
- re-privatization questions are not resolved and
- one needs 900 days to enforce monetary contracts, not to mention
- high costs and lack of transparency in the judicial system.



# Access to capital:

1. remittances,
2. foreign direct investments,
3. portfolio investments.

## **Only one source of capital is not mentioned:**

4. pledging of property titles or in other words generating financial instruments on the basis of domestic property titles.

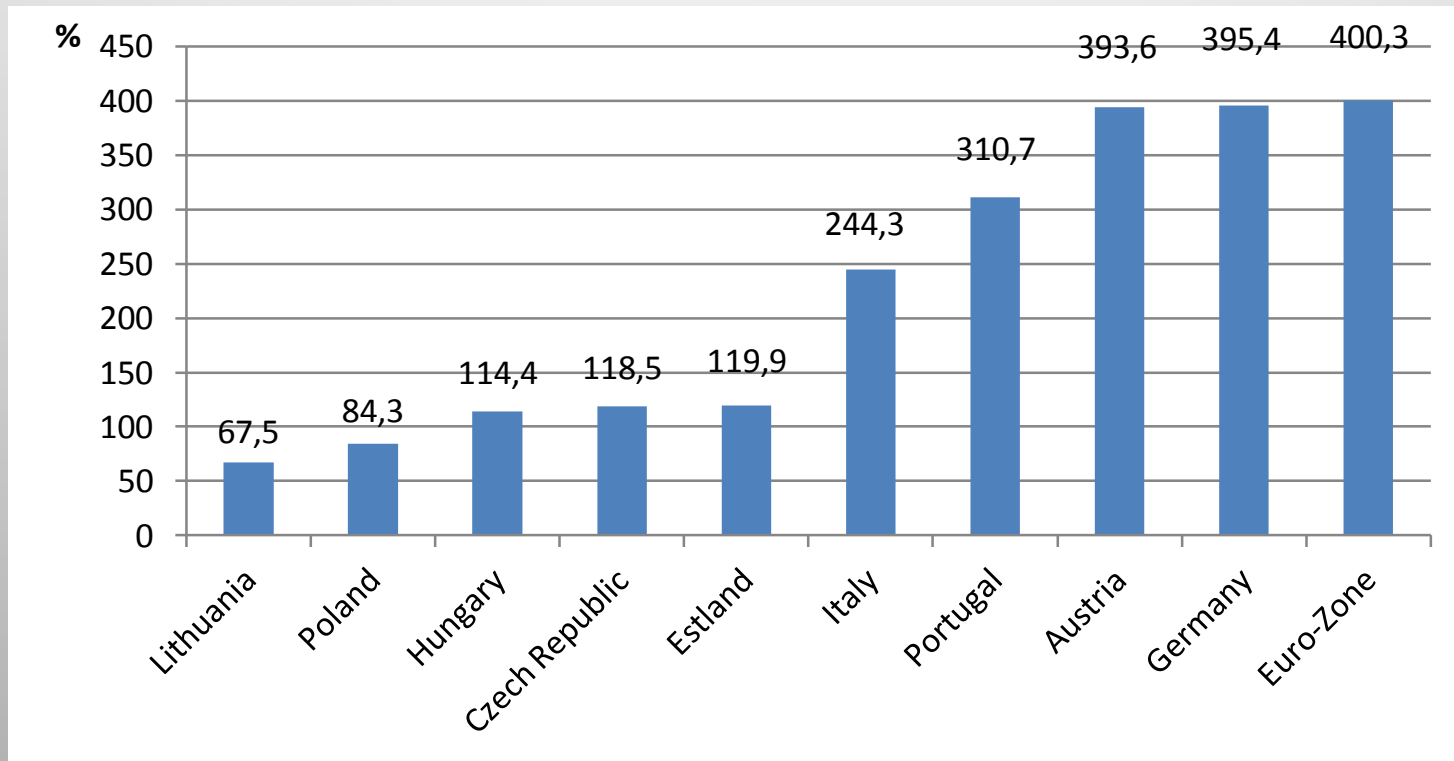
Credit conditions for the domestic investors are tightened through:

- generally higher interest rates than in western economies
- Refusing domestic bonds by central bank and basing the money issue policy solely on foreign assets.



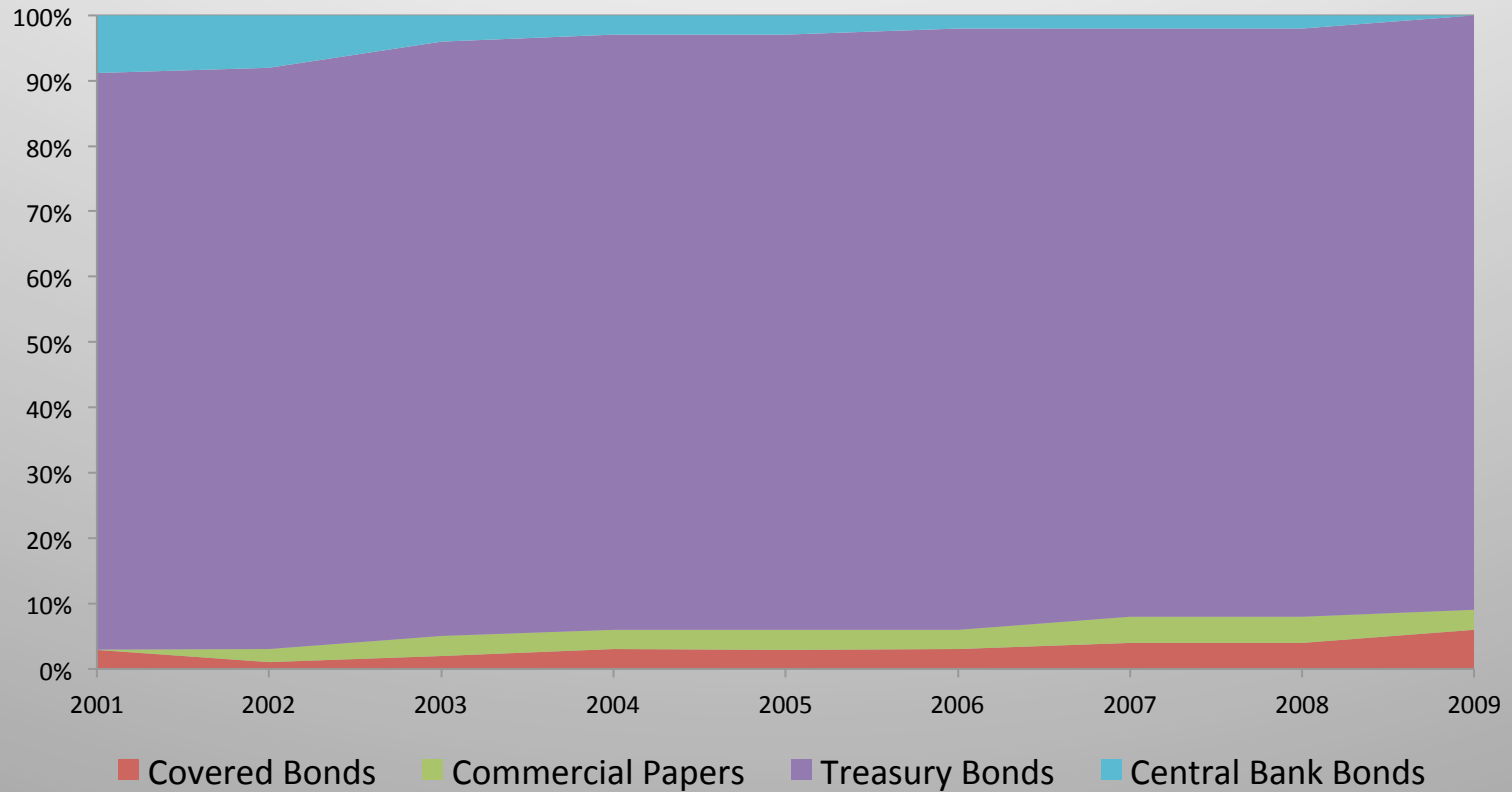
- The dynamic of the Western Economies is driven by **collateral-pledging** and **debt-driven owners** who are strongly motivated to invest, to innovate and to expand in order to protect their property against falls in prices and foreclosure.
- The more investors get into debts, it means activate their property titles in monetary transactions and – due to their competitiveness – successfully repay their financial obligations, the more dynamically the economic system develops.

## Financial assets in % of GDP in 2007

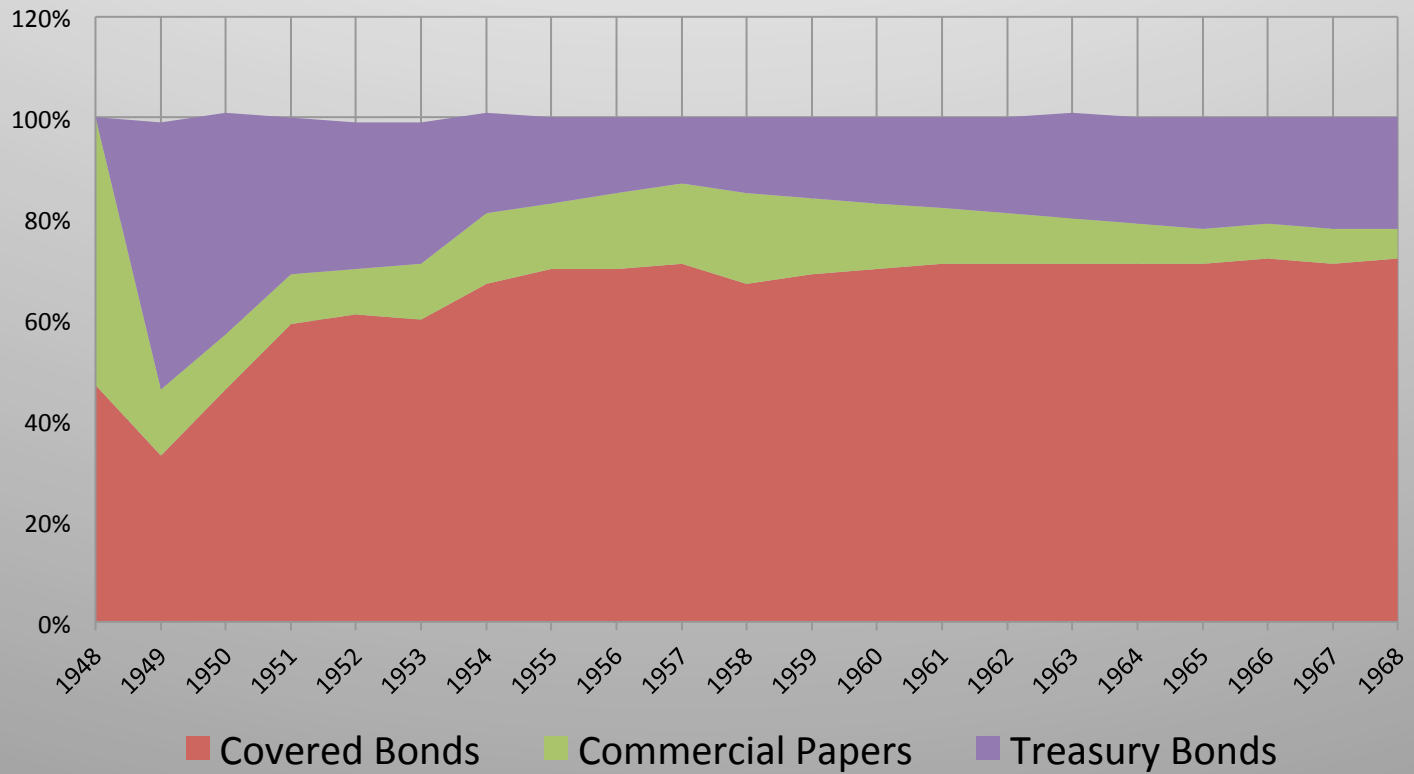


Quelle: NBP Februar 2008: S. 5.

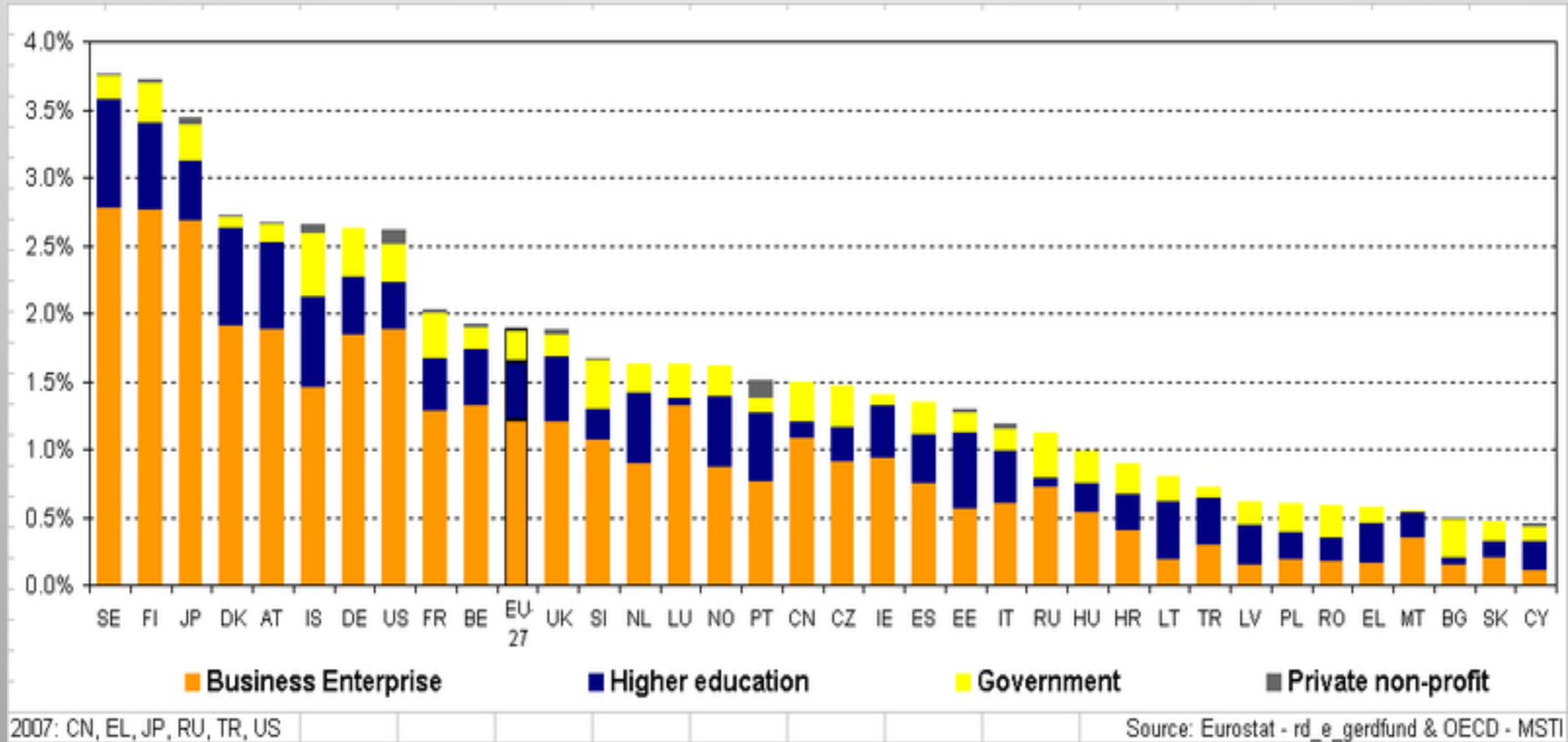
# Segments of Polish Bond Market



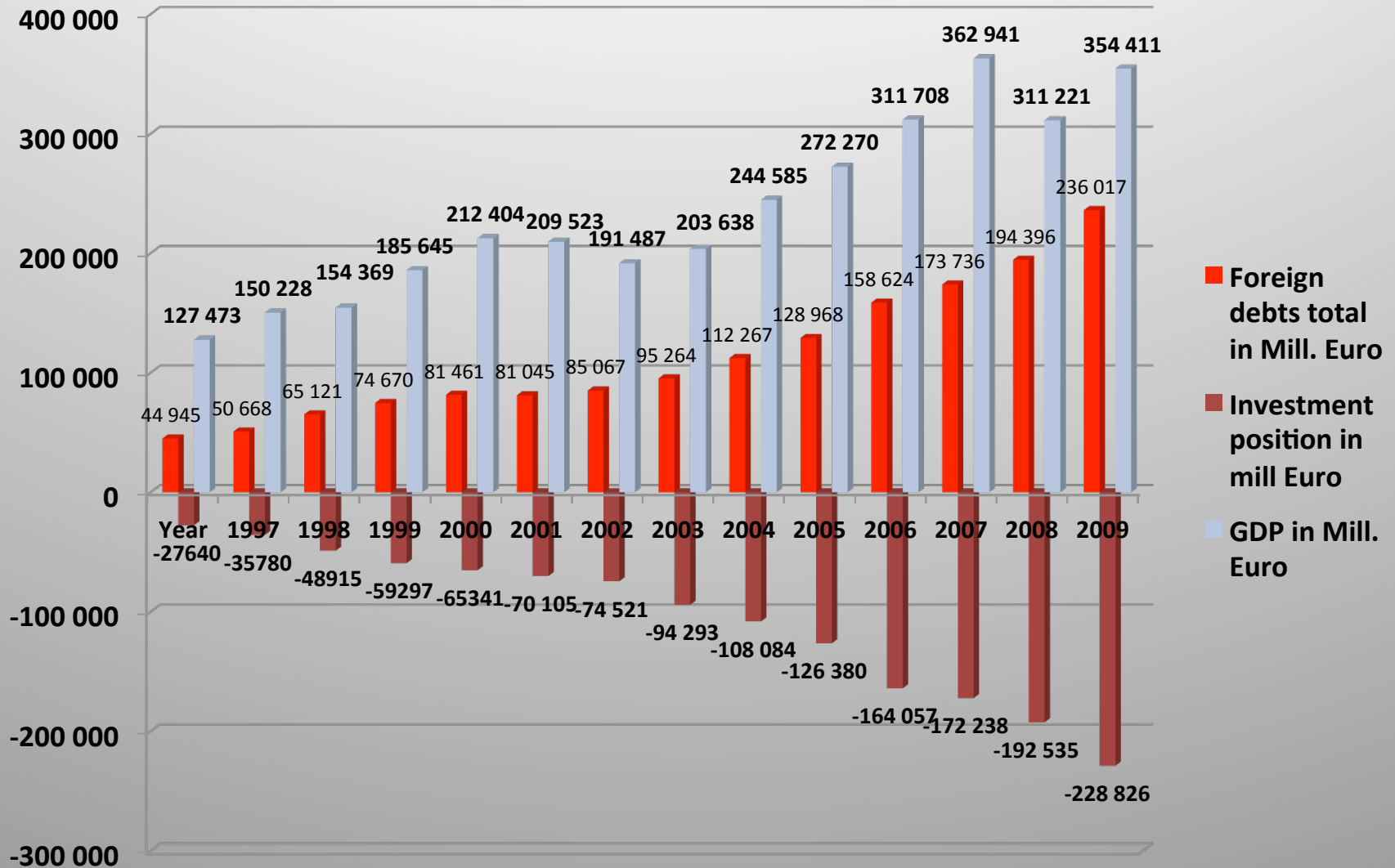
# Segments of West-German Bond Market



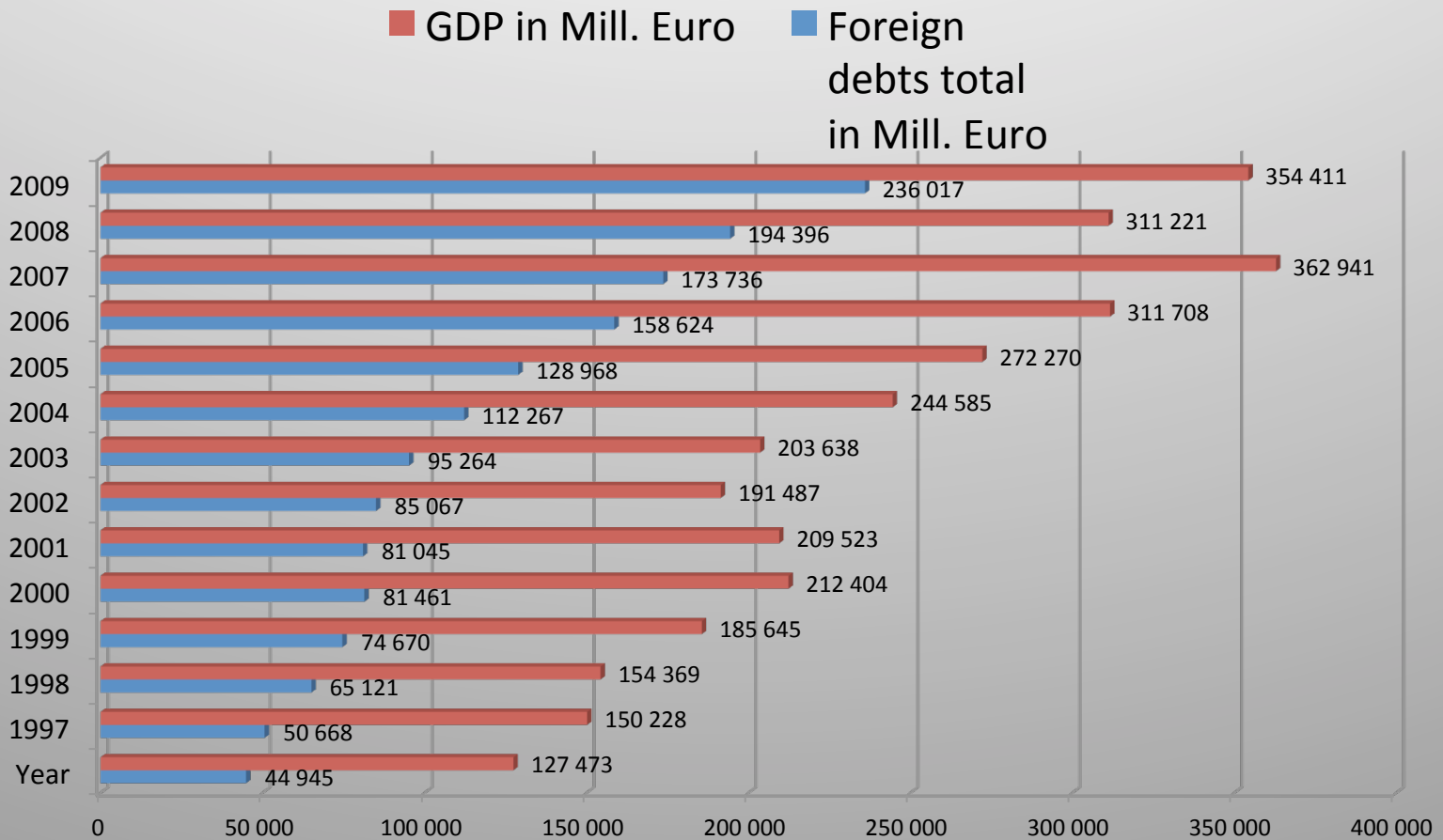
## Gross domestic R & D expenditure (EUR), by Sector of performance, 2008 (% GDP)



## Foreign financial position of Poland 1996-2009



# Foreign debts and GDP



- „Yes, while we took money from the EU with the one hand, we have not invest it in modern technologies with the second one. All went into consumption. As a result, those who produced, closed their factories and opened import companies. Thus, because they could earn more money in this way.“ (Chrysochoidis, Faz, 9 February 2012)



Thank you!