Bankers and populists: Understanding the rise of 'managerial developmentalism' in Poland

The resignation of Zbigniew Jagiełło as the CEO of Poland's largest bank has raised questions about political interference in the country's financial sector. **Marek Naczyk** *writes that while most of this discussion has focused on the actions of the current Law and Justice government, it is equally important to understand the role that bankers have played in shaping Polish economic policy.*

On 7 June, Zbigniew Jagiełło, the CEO of Poland's largest bank, the state-owned PKO Bank Polski, left his post after twelve years at the helm. Jagiełło's stint had been one of the longest ever tenures as the head of a Polish state-owned enterprise, with such firms being a notorious site of political patronage and excessive turnover of top management.

Jagiełło was widely considered to be a highly able leader who had modernised and increased the market share of an institution that many free marketeers saw as a post-communist monster. Since PKO had expanded credit supply after the global financial crisis of 2008 while foreign-owned Polish banks were tempted to cut it, Jagiełło's bank was also credited with having helped Poland weather the storm of the Great Recession.

Given his impeccable reputation, Jagiełło's resignation sent shockwaves through the financial industry, with many observers fearing the right-wing populist Law and Justice (PiS) government would now try to use PKO as a vehicle for subsidising political allies. The media has speculated that Jagiełło's resignation resulted from attacks by long-time PiS members against current Prime Minister Mateusz Morawiecki and his allies, including Jagiełło.

But why would PiS members try to weaken their own Prime Minister? The reason lies in Mateusz Morawiecki's past as a banker and his known ties to Civic Platform (PO), Poland's main opposition party. Indeed, while most members of Poland's current right-wing populist government have been career politicians, Morawiecki had not been a member of PiS until early 2016, after he became Minister of Development.

Between 2007 and 2015, he was the CEO of Bank Zachodni WBK, Poland's third-to-fifth largest bank, which was owned by Allied Irish Banks (AIB) until 2010 and subsequently by Spanish group Santander. Many PiS insiders have resented the fact that an outsider like Morawiecki – who had even been touted as Finance Minister in the previous government led by Civic Platform – has managed to rise to the top without earning his stripes inside PiS. While denying that Jagiełło's forced resignation was a move to weaken Morawiecki, the leader of PiS, Jarosław Kaczynski, acknowledged that "simply put, in politics, you have to consider eliminating certain tensions. If you are unable to alleviate tensions, then you are in trouble."

Bankers and populists

This incident is indicative of anomalies in conventional views on the state interventionism favoured by right-wing populist parties in Central and Eastern Europe. Given the agenda of parties such as Poland's PiS and Hungary's Fidesz has been increasingly 'illiberal', most commentators have assumed that these parties' emphasis on financial nationalism and state-led developmentalism in the economy stems directly from a party-driven ideological reorientation towards economic statism. However, while party apparatuses undoubtedly matter, in the Polish case the driving force behind the rise of financial nationalism and developmentalism – not only under PiS, but also under the previous Civic Platform governments – has been a mobilisation of Polish managerial elites, particularly bankers.

In a recent study, I show that it was not PiS politicians who triggered the 'repolonisation' of Poland's heavily foreign-controlled banking sector. Rather, it was Polish bankers who did it. In fact, both Mateusz Morawiecki and Zbigniew Jagiełło directly participated in the first high-profile – though failed – attempt by a Polish-owned bank (Jagiełło's PKO) to take over a foreign-owned Polish bank (Morawiecki's BZ WBK) in 2010. Jagiełło's PKO subsequently carried out the first successful attempt to bring a foreign-owned bank (Nordea Bank Polski) back into Polish ownership. This was in 2014, before Law and Justice came back to power in 2015.

I also show that those same bankers created their own think tank, the European Financial Congress, of which both Jagiełło and Morawiecki were long-time board members. This think tank successfully pressed government actors to create new development institutions – Polish Investments for Development (PIR) in 2011 and the Polish Development Fund (PFR) in 2016 – so as to support the growth of Polish-owned 'national champions'. Finally, I show that bankers played a crucial role in operationalising new vertical industrial policies targeting a carefully handpicked selection of these 'national champions' as part of the PiS-led government's 2016-17 'Strategy for Responsible Development' – also known as the 'Morawiecki Plan'.

The rise of 'managerial developmentalism'

What is striking about these bankers is that they had not spent most of their careers in Polish-owned banks, but had been managing the Polish subsidiaries of foreign-controlled cross-border banking groups. As is the case in other dependent market economies in Central and Eastern Europe, the Polish banking sector had been until recently overwhelmingly controlled by foreign capital. Excessive foreign ownership of banks became a problem during the global financial crisis of 2008 when foreign parent banks started trying to capture their Polish subsidiaries' excess liquidity in order to improve their own liquidity positions.

The Polish-born top managers of these subsidiaries typically resisted these attempts and became concerned both about their lack of managerial autonomy – since key decisions were not made in Poland but in the parent company's foreign headquarters – and at the negative macro-economic implications of excessive foreign ownership of banks – since decisions made in the foreign headquarters could lead to credit crunches in Poland. These concerns led Polish bankers to start pushing for greater state interventionism in favour of Polish-owned firms.

Instead of PiS trying to co-opt bankers to further its own – originally not so well defined – economic policy agenda, it is bankers themselves who managed to co-opt leading PiS politicians to further their own – much better defined – agenda for developmentalism. Bankers' influence has not been absolute. For example, they have conspicuously failed in their attempts to depoliticise and to "managerialise" the management of state-owned enterprises.

Their influence has also not remained uncontroversial. Zbigniew Jagiełło himself has now fallen victim to resentment among PiS insiders over bankers' undue influence and has been replaced by one of his deputies, who has had somewhat closer links to the ruling party. It seems safe to predict that the longer PiS remains in power, the tighter the party's grip on state institutions and on state-owned enterprises will become.

From a comparative perspective, Polish bankers' clear preference for state interventionism and their capacity to populate the state apparatus might very well be exceptional even in the dependent market economies of Central and Eastern Europe. However, analysts of the politics of these countries should pay greater attention to the role played by the managers of the local subsidiaries of foreign multinationals. Surprisingly, such managers can sometimes turn against the interests of their own employers.

Beyond Central and Eastern Europe, a key lesson is that we should not assume the recent revival of industrial policies (or developmentalism) in Europe and around the world is always the result of a top-down, state mobilisation of business. The Polish case demonstrates that business may also sometimes unexpectedly push for greater state interventionism in the economy.

For more information, see the author's accompanying paper in the Review of International Political Economy

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Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics. Featured image credit: Lukasz Radziejewski on Unsplash

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