

## An Assessment of Poland's Current Macroeconomic Conditions to Determine Whether It Is in a Middle Income Trap

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**Abstract :** The middle-income trap (MIT) describes a situation faced by countries at a relatively mature stage of development that often poses an obstacle to sustainable long-term growth. MIT is characterized by declining factor productivity from the exhaustion of labor intensive, import and Foreign Direct Investment (FDI) based strategies when middle-income status is achieved. In this paper, we focus on MIT and Poland. In the past two decades, Poland experienced steady growth based largely on imported technologies and low-cost labor. Recently, that economic growth has slowed, prompting economists to ask whether Poland is experiencing MIT. To answer this question, we analyze changes in investment in Poland; specifically- its growth and composition - as well as savings, FDI, educational attainments of the labor force, development of new technologies and products, the role of imports, diversification of exports, and product complexity. We also examine the development of modern infrastructure, institutions (including legal environment) and demographic changes in Poland that support growth. Our findings indicate that certain factors consistent with MIT are gaining importance in Poland, and represent a challenge to that country's future growth rate.

**Keywords :** engines of growth, factor productivity, middle income trap, sustainable development

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