

Marcin Zieliński, FOR chief economist
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FOR Communication 12/2023:

Where does the money for "800 plus" come from?

During the last weekend program convention, Jarosław Kaczyński presented PiS's new election promises. The increase of the children benefits from 500 PLN to 800 PLN per month from January 2024 came to the fore. In addition, the promises included free (that is financed by the taxpayer) medicines for children under 18 and senior citizens, and the abolition of highway tolls. During the festival of promises, however, PiS lacked the most important thing - sources of funding.

Meanwhile, Donald Tusk, instead of demanding listing sources of financing from the ruling party, joined the auction. [On Monday, he proposed not to wait until next year with the "800 plus", but to introduce it together with PiS for Children's Day, i.e. from June this year.](#) Such move would cost the state budget an additional 14 billion PLN this year.

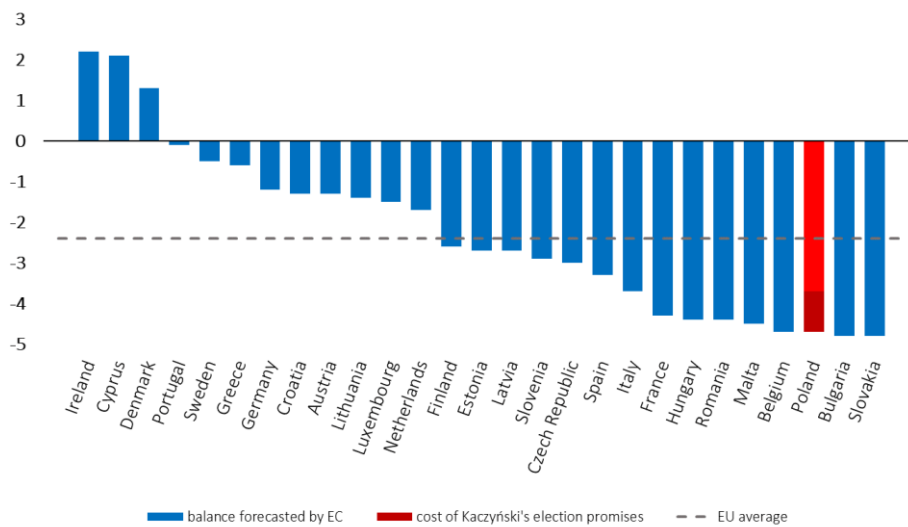
Contrary to the government propaganda, Polish public finances are in bad shape. Even the Ministry of Finance admits it, which in March this year in an opinion on the draft of an act introducing preferential housing loans stated¹: ["Unfortunately, in the coming years there is no room for new expenses from the state budget. Thus, in order to increase spending on new tasks, a source of financing them should be found by limiting other expenses"](#).

Of course, the situation of public finances has not suddenly improved in the last two months. [According to the latest forecast, the general government deficit will amount to 172.6 billion PLN \(5% of GDP\) this year, and 140 billion PLN \(3.7% of GDP\) next year,](#) with the latter amount not taking into account Kaczyński's latest election promises. [Their cost is estimated by mBank economists at approx. 1% of GDP.](#)

¹ See our review of this idea: M. Zieliński, *Najpierw niska inflacja, potem tani kredyt*, Komunikat FOR 8/2023, 13 marca 2023, <https://for.org.pl/pl/a/9342,komunikat-for-8/2023-najpierw-niska-inflacja-potem-tani-kredyt>.

This would mean that next year the deficit of the local government sector will amount to approx. 4.7% of GDP, and Poland will be among the four countries with the highest deficit in the European Union.

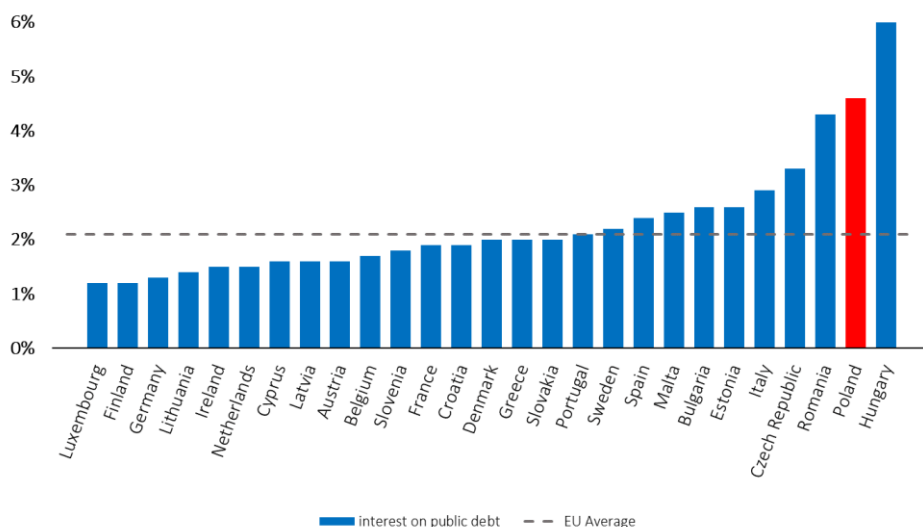
Chart 1. Projected general government balance as % of GDP in 2024



Source: FOR's own study based on AMECO data and mBank estimates

Such scenario means a further increase in public debt. Due to the continuing public finance deficit and the need to rollover maturing bonds (issuing new debt to pay off the old one), the Polish state incurs new liabilities that bear much higher interest rates than the debt issued in 2021. As a result, according to AMECO, Poland will spend 69.7 billion PLN on interest on public debt this year, and 77.6 billion PLN next year. Thus, in the coming years, servicing the public debt will consume amounts greater than the total cost of the announced "800 plus" program (approx. 64 billion PLN). Only Hungary will pay higher interest in relation to the size of the public debt this year and next.

Chart 2. Public debt's servicing costs as a % of public debt in the previous year in 2023



Source: FOR's own study based on AMECO data

Civil Development Forum (FOR)

FOR was founded in 2007 by prof. Leszek Balcerowicz in order to effectively protect freedom and promote truth and common sense in the public discourse. Our goal is to change the awareness of Polish people and existing and planned law in direction of freedom.

FOR achieves its goals by organizing debates, publishing reports and studies on important socio-economic topics, in particular: the state of public finances, the situation on the labor market, economic freedom, the judicial system and the creation of law. On the initiative of FOR, a public debt counter was launched in the Warsaw city center and on the Internet, it draws attention to the problem of the growing state debt. FOR's activities also include economic education projects and participation in campaigns to increase voter turnout.

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Kinga Królik, member of the board, FOR administrative and financial manager

tel. 691 908 904

e-mail: kinga.krolik@for.org.pl

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AUTHOR

Marcin Zieliński

Board member and FOR chief economist

e-mail: marcin.zielinski@for.org.pl

Twitter: [@MA_Zielinski](https://twitter.com/MA_Zielinski)

Fundacja Forum Obywatelskiego Rozwoju – FOR ul. Ignacego Krasickiego 9A
02-628 Warszawa
tel. 22 628 85 11

e-mail: info@for.org.pl www.for.org.pl