

The systems of interest representation and their impact on the industrial policies; The case of boiler market in Poland

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Interest groups and regulation in the public choice theory

Market failure paradigm – active role of the state. Allocative efficiency restored by regulation;

Olson's theory of collective action (1965);

G. Tullock (1965, 1967): Inefficiency due to rent-seeking phenomenon;

Stigler (1971) a regulation is an effect of a game of interests, and not the care for the public good;

M. Olson: *Rise and Decline of Nations* (1982) (decline due to activity of interests groups) ;

Public choice scholars: tax competition via decentralization & cutting the number of public interventions;

G. Becker: the best industrial policy is none at all;

M. Thatcher and R. Reagan in 1980s., Washington Consensus (1989).

Weberian tradition and modern industrial policy

Lynn (2008): Anglo-American marketizers versus Continental Europe modernizers.

Pollitt & Bouckaert 2004, 2011 Neo-Weberian State.

The Weberian model of ideal bureaucracy: impartiality and acting without regard to personal considerations. Exception: the inclusion of experts (Weber 1922).

The state co-creates regulatory conditions conducive to obtaining competitive advantages by companies in international markets, (Rodrik 2004).

Ball (1995): lobbying can enhance welfare.

Functions of employers' associations

Functions of interests groups (Sikora 2005):

linking economic environment to the public administration at the local, regional, national and European levels;

providing authorities with opinions regarding planned legal acts;

ensuring arbitrage between the sector's members;

creating export development programmes;

organizing vocational training;

supervising the market while it is being entered by new entities.

Functions of employers' associations (2)

Environmental standards not as predatory on public interest, but as a way of protecting it.

Porter (2001): technological and time advantage when expanding to external markets.

Eco-innovation is the effect of interplay between the (social) need for regulation and interests of particular innovators.

The boiler market research

Research based on in-depth interviews with:

entrepreneurs from the industry (7),

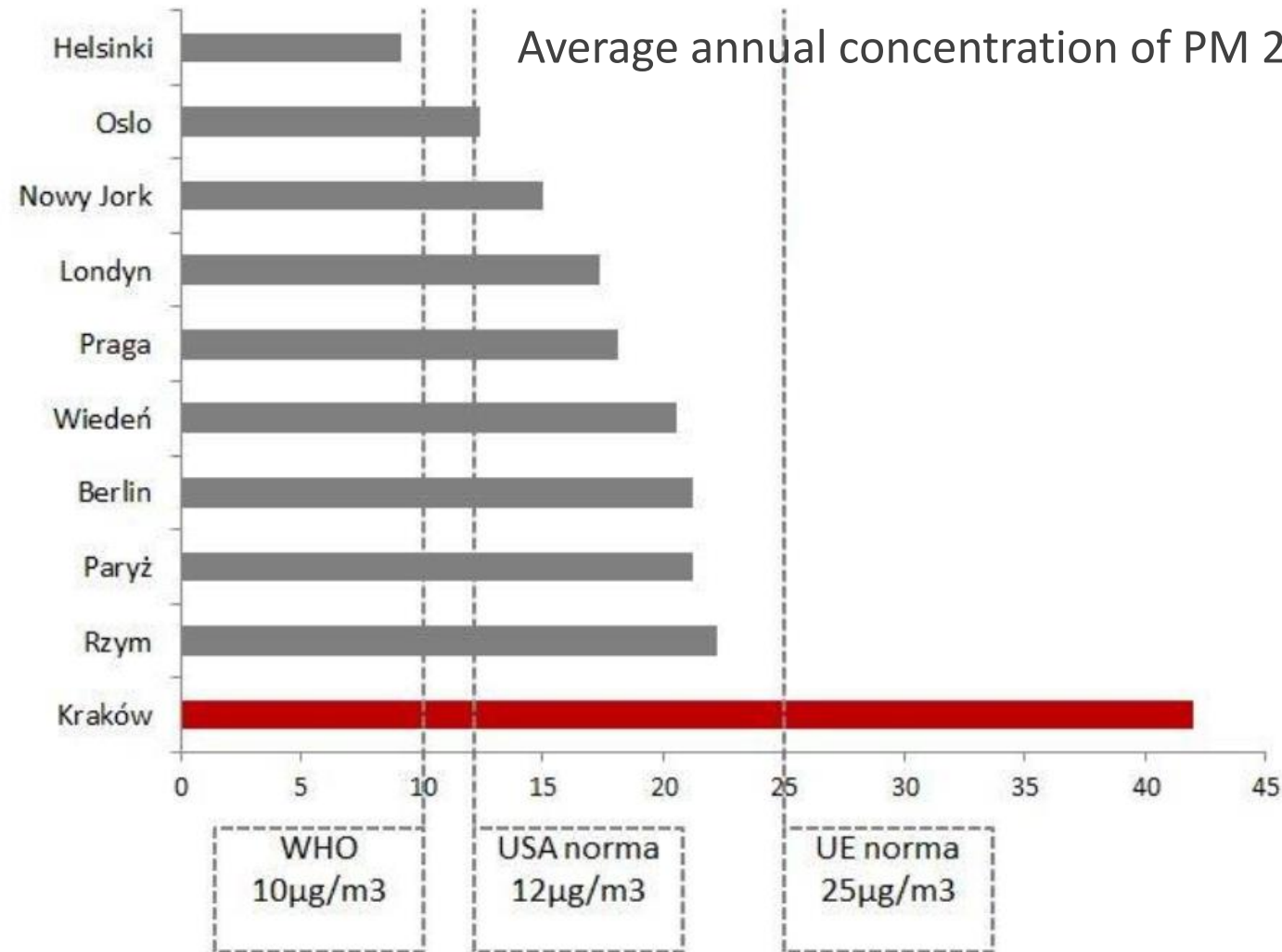
representatives of supporting and competitive industries (2),

other stakeholders and experts (2).

The environmental problem

(source of data: Krakowski Alarm Smogowy, Cracow Smog Allert)

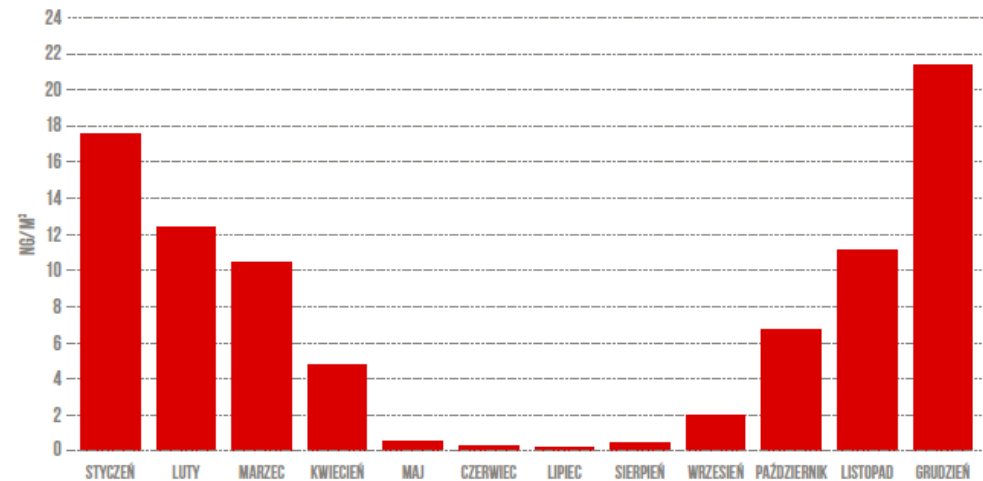
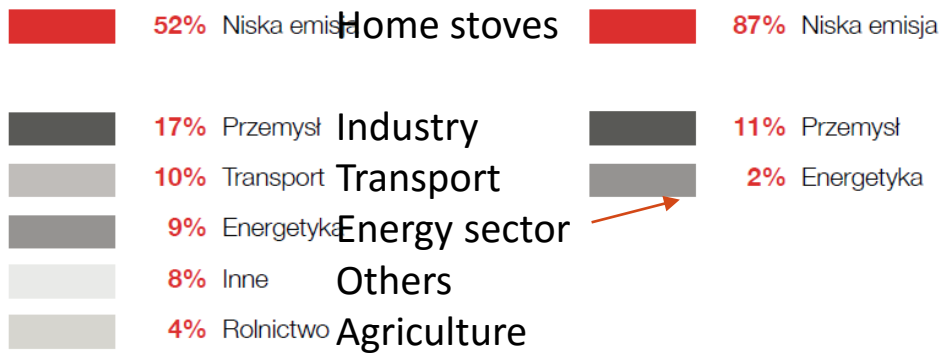
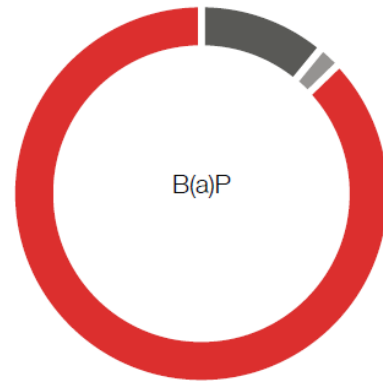
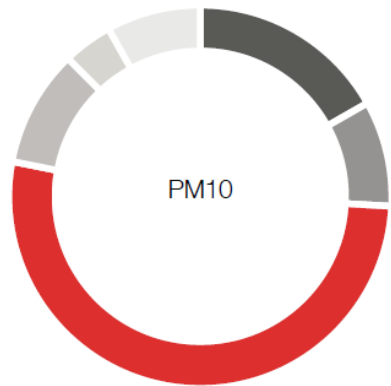
Average annual concentration of PM 2.5 ($\mu\text{g}/\text{m}^3$), 2011



Average annual concentration of benzo[a]-pyrene (ng/m^3), 2013



Sources of emission



Wykres: Rozkład stężeń benzo[a]pirenu w poszczególnych miesiącach na stacji tła miejskiego w Krakowie w 2013 r. Źródło: Dane Wojewódzkiego Inspektoratu Ochrony Środowiska w Krakowie.

Distribution of benzo[a]pyrene concentrations in particular months in Krakow metric station in 2013.

Source of data: Krakowski Alarm Smogowy, Cracow Smog Allert

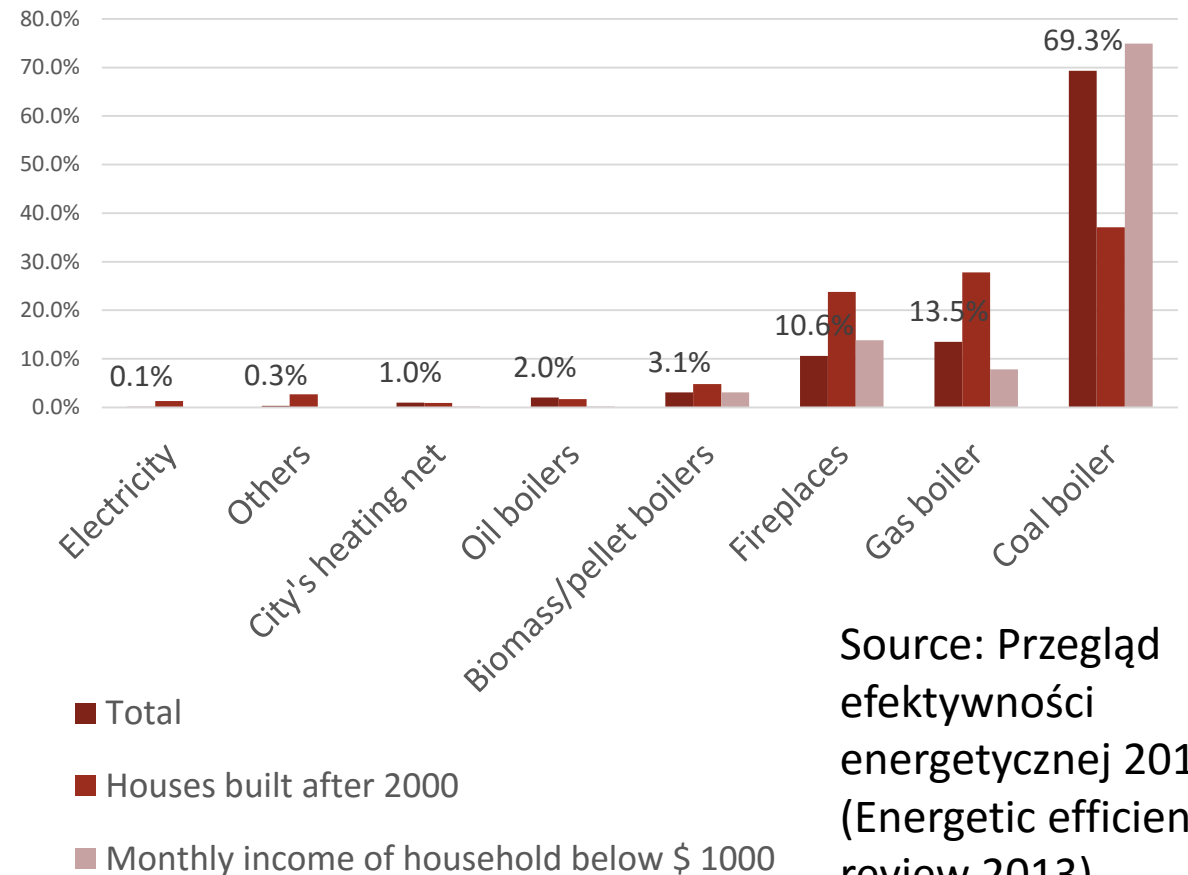
Contributing factors

In the 2000s: 200 thousand boilers p.a.

The 70% of households owning a detached house use coal boiler as a heating device.

No standards on:

- quality of small boilers (below 1 MW),
- quality of fuels (coal),
- emissions of individual houses (except punishments for rubbish burning).



Source: Przegląd efektywności energetycznej 2013 (Energetic efficiency review 2013)

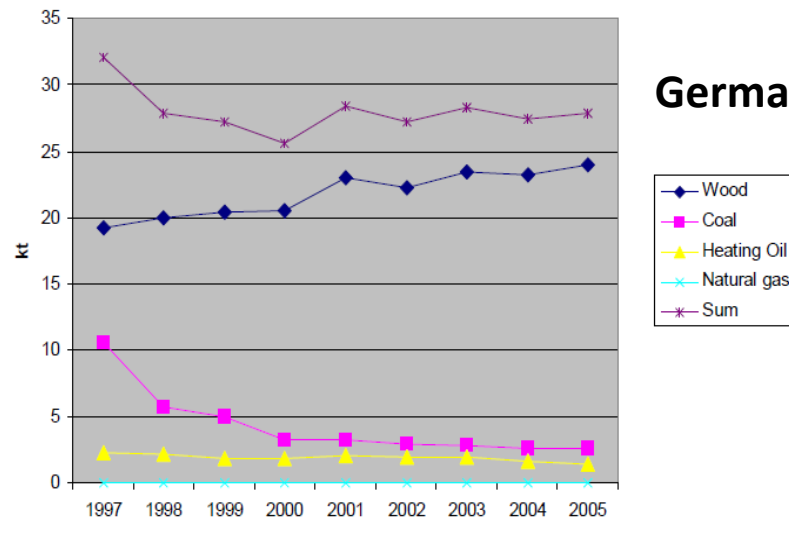
Standards of air pollutants emissions in Europe

Other European countries follow procedures for a total elimination of coal fired stoves and boilers.

England after 'The Great Smog of 1952' in London.

In **Germany** after 1997 Ordinance on the coal boilers.

In the **Czech Republic**: gradual standards enhancing.



London, 1952



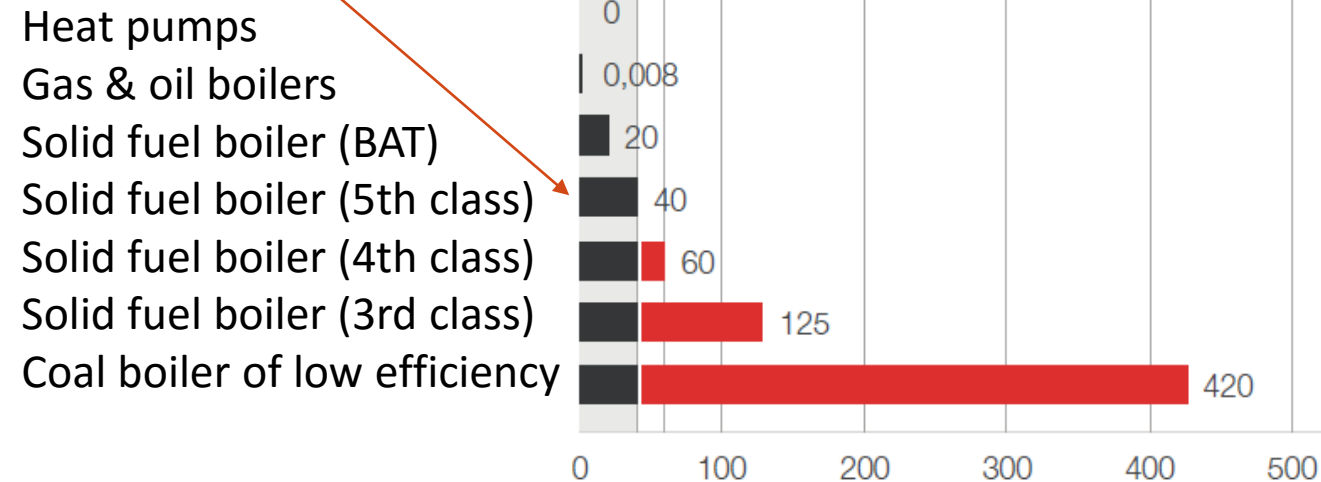
Proposals of regulation

1. In 2015 it was decided that ECODESIGN (Directive 2009/125/EC) will be viable after 2020:

2. A ban for solid fuel boilers in Kraków from the year 2019.

3. In September 2016, proposal of regulation: a prohibition on the sale of all boilers below 5th class in Poland after 30 September 2018.

EU norms after 2020 (for dust):
40 mg/m³ – auto feed
60 mg/m³ – manual feed



Only 5th class boilers fulfill EU requirements.

Source: krakowskiaalarmsmogowy.pl

Information and mobilization of economic actors' failure (producers):

- * Lack of a long-term vision;
- * Lack of knowledge among minor producers;
- * Lack of organization –no representation during negotiations in Brussels;
- * Representation of the industry an initiative of an external actor: a voluntary scientist;
- * In the consequence the greater producers benefit the most: higher margins of profit;
- * Elimination of smaller producers , and cheap boilers from the market: without compensation schemes – the poorest will additionally be affected by the energy poverty.

Information and mobilization of economic actors' failure (industrial policy):

Diagnosis needed and systematic research on costs and benefits in terms of:

- competitive advantage stimulation,
- defiance of competitive advantage in order to gain dynamic advantage,
- fields of potential dynamic advantage:
 - domestic wood pellet instead of imported gas,
 - renewable sources of energy (wood pellet as biomass).

Information and mobilization of economic actors' failure (environmental goals):

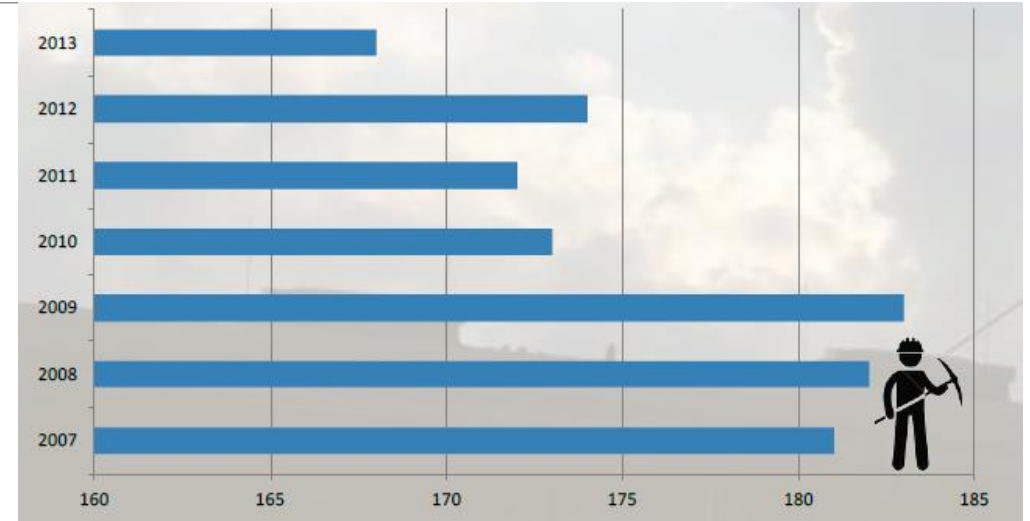
No standards for the fuel: after 2004 the individual users gained access to the worst quality coal.

Strong position of coal mines that are against introducing any standards on coal use for individual households.

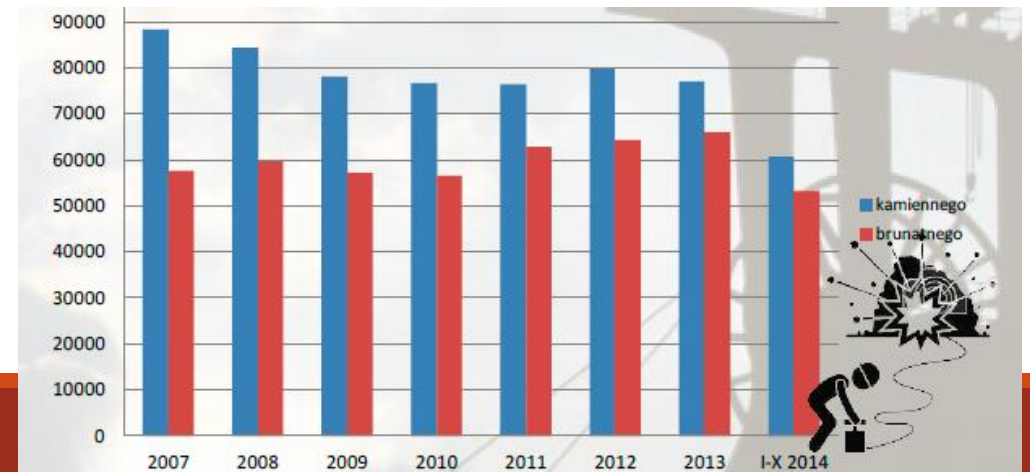
Burning coal slime in the 5th class boilers wouldn't improve air quality.

Coal mining industry in Poland as a source of solid fuels

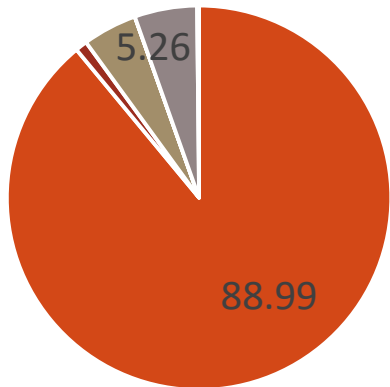
Average employment in mining in Poland (tho persons)



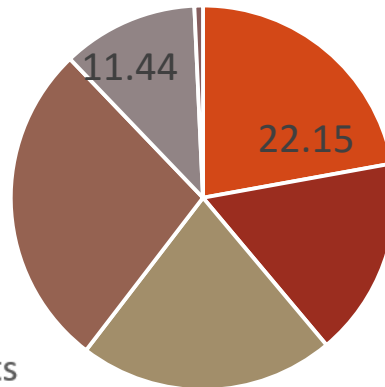
Average production of coal (anthracite & lignite) (tho t)



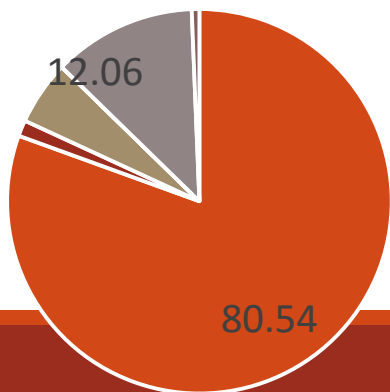
Poland 2003



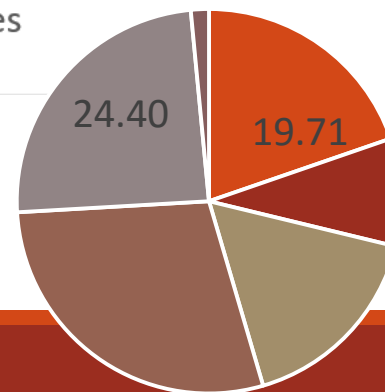
EU-28 2003



Poland 2013



EU-28 2013



- Solid fuels
- Petroleum products
- Gas
- Nuclear heat
- Renewable energies
- Other

Source of data:
Eurostat.

(Enhanced) variety of capitalism

LMEs and CMEs and the role of chambers of commerce:

- private law model in the English-speaking countries (Scandinavian and Eastern and Central Europe),

- the compulsory or public law model: continental Europe.

Noelke and Vliegthart (2009) the “identification of individual institutional parallels between ECE (Eastern and Central European) capitalism and either the CME or the LME model is misleading.”

They have baptized this type of capitalism „to be the “dependent market economy” since its overriding feature is the fundamental dependence on investment decisions by TNCs. Thus, the hierarchy between TNC headquarters and local subsidiaries replaces markets (LME) and associations (CME) as a typical coordination mechanism within these economies.”

Next steps

Polish boilers market: low attractiveness for bigger and foreign companies.

Alternative regulated market with bigger and foreign actors should be analysed in order to check, how the process of coordination and regulation imposing under the private law is being organised and whether it ensures more equal influence of economic actors and protection of public interest.

Research question:

Do the coordination system exhibit features typical for a LME?

or based upon the type of interests' representation is it relevant to identify a third group: of DME /peripheral economy?

General conclusions

The absence of a sound representation of the interests system.

Poorly informed policy; analysis limited to the most visible direct economic consequences;

A short-term approach, lack of co-ordination of economic and ecological perspectives, lack of support for competitive advantage of particular fields of the economy.

A reactive, and not proactive policy.

In a weak system of representation of interests the stronger benefit at the cost of the weaker and more sensitive, such as small producers and the lower strata of the society in case of the absence of compensation schemes.

Thank you for your attention!

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