

III. KONDRATIEFF MEDAL: WINNERS' SPEECHES*

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Kondratieff – Ethos – Economics

GOLD MEDAL

Elżbieta Mączyńska

1. The System of Social Values and the Factors Eroding it

As the world's history shows, almost every major breakthrough or deep economic, technological, political, or systemic transformation increases the risk of unraveling the system of social values and poses the threat of anomy – a notion that literally means the absence of law and whose Greek origin points to its destructive nature (*a* = 'without', *nomos* = 'law'). However, anomy is not equivalent to lawlessness; as the ancient thinkers cautioned, 'in a state where corruption abounds, laws must be very numerous'. Anomy implies contradictions, disorganization, disintegration, chaos, and inconsistency in the system of social values, or in the edifice of norms and rules governing social and economic life in its different forms. Society in a state of anomy may generate either insufficient or excessive laws and regulations, making people prone to violate them. Breakthroughs facilitate anomy by weakening the incumbent, traditional system of values and its constituent elements. The old norms and rules gradually cease to be respected, and become practically (but not necessarily formally) invalid, while new ones have not evolved yet. Under the circumstances, neither the old nor the new norms effectively fulfill their role as principles of prioritization, evaluation, and assessment. This gives rise to a situation of confusion in which one cannot be sure what behaviors in interpersonal and economic relations are appropriate and what are inappropriate; what is good and what is wrong; what is desirable and what is objectionable; what is decent and what is not.

In situations of breakthrough transformations, the new social, institutional, political, and economic structures are prone to adopt certain norms, regulations, and principles that may in the long term lead to socially undesirable results. A case in point is the 'greed is good' motto that was popularized in the past

* This section comprises the speeches of laureates of the 9th International Kondratieff Conference 'New Model of Economic Growth: Theory Constructions and Real Policy' and the 22nd Kondratieff Readings devoted to summarizing the results of the 8th International Contest for N. D. Kondratieff medal, which was held in Moscow on November, 11–12, 2014.

couple of decades and accepted by a large part of the financial community. These phenomena foster a crisis of confidence and what Polish sociologist Piotr Sztompka calls 'a culture of uncertainty and cynicism' implying 'widespread and socially accepted rules condoning abuse and fraud, giving rise to distrust, suspicion, and caution stemming from the belief that no-one can be trusted'.

One of the negative consequences of anomy and the related crisis of confidence is the widespread failure to keep agreements and commitments at different decision-making levels, including governmental and intergovernmental. This has a destructive effect on the capital of social trust, erodes the foundations of society, upsets the socioeconomic system, and undermines the crucial democratic principles. Adverse consequences for economic activity follow, as trust is a 'lubricant' for business.

Anomy as a social state, especially if protracted, is likely to generate crisis situations due to the fact that it corrupts the socioeconomic system and the social order, and upends trust and democracy, the latter being largely founded on the former. Thus, anomy may result in a crisis-generating chaos thwarting social development. This gives rise to a vicious circle. A socioeconomic crisis and turmoil increase the risk and symptoms of anomy. In recent years, ample evidence for the above has been provided by the world crisis that was initiated in 2008 in the USA as a financial crisis and gradually evolved into a global economic crisis, to finally assume the form of a global debt crisis, which still poses some serious threats to the real economy and fuels persistent disequilibria.

Currently, anomy seems to be on the increase worldwide, even though the contributing factors are highly diverse in terms of their nature, scope, and sway in particular countries. Some of these factors are global, while others are primarily region- or country-specific.

The global dimension of the pro-anomic determinants is attributable to the state of punctuated equilibrium that our world seems to be experiencing these days, which is described by Lester Thurow in his book *The Future of Capitalism*, which lists a number of political, demographic, economic, technological, and other factors.

Pro-anomic phenomena may also be traced to the deep changes resulting from the global information revolution, which has fundamentally reshaped not only forms of social communication (now dominated by digital media), but has also influenced social stratification and social roles. The pro-anomic characteristics of the information revolution are spectacularly visible in the proliferation of legal flaws, ambiguities, and loopholes pertaining to the functioning and use of new information technologies, and especially the Internet, in nearly all countries around the world.

Moreover, the global dimension of anomic phenomena is rooted in the triumph of neoliberalism based on monetarist theoretical monism and its wide adoption as a foundation for the socioeconomic systems of many countries, beginning in the 1970s. The strong preference for the economic sphere characteristic of neoliberal philosophy results in the marginalization of reflection on the ethical and moral dimension of economic activity. Ethical and moral considerations have become superseded by a cut-throat free-market logic. This gives rise to ‘a society of greed’ in which the desire to get rich justifies any means to that end.

In the 1990s, the triumph of neoliberalism in Western economies coincided with the systemic transformation of the post-socialist countries of Eastern and Central Europe initiated by Poland. In Poland as well as in other post-socialist states, it was inevitable that the old and new norms regulating social and economic life would collide in the regional and national dimensions. One of the underlying causes of this situation was that institutional reform lagged behind the process of transition to a market economy. Polish economist Maria Lissowska, an expert on Poland's transformation, argues that ‘the authors of the transformation did not take much interest in designing institutional change’. Based on empirical research and literature studies, Lissowska asserts that ‘one should not initiate liberalization and privatization without first developing appropriate institutional solutions and systems. Otherwise the market may become dominated by illegal (criminal) business structures’.

The above-mentioned factors eroding the system of values are further aggravated by the anomic weaknesses inherent in the system of measuring socioeconomic performance, and especially the flaws and shortcomings of the main gauge of this performance, which is GDP and its dynamics. GDP quantifies exclusively market performance (products and services traded in the market) excluding value added arising from non-market activity, such as volunteering. Moreover, the latest GDP measurement standards treat in the same way economic activity typical of healthy socioeconomic relations and economic activity representing socioeconomic dysfunctions, such as prostitution, trafficking, and other crime.

The four major pro-anomic factors presented above, that is, a globally punctuated equilibrium, scientific and technological revolution, neoliberal fallacies, and errors in performance measurement, obviously do not constitute a complete list, which could be further expanded to include numerous dysfunctions in politics and in the system of legislation and law enforcement. The focus on these four factors is justified by the fact that they seem to lie at the core of anomy, generating its secondary causes. These factors are furthermore interconnected by a web of feedback loops which result in synergies and produce a domino effect escalating anomic symptoms to near-epidemic proportions.

Anomy increases the risk of erosion of the socioeconomic order, which in turn creates conditions fostering anomy. This vicious circle highlights the importance of anti-anomic measures and solutions focused on shaping the socioeconomic system, thus indicating the significance of the political order. Analysis of anomy in the context of the characteristics of socioeconomic systems may provide some answers to the question why different systemic models, including different models of capitalism, exhibit different levels of susceptibility to anomy.

Such analysis is indeed necessary as anomic phenomena are likely to trigger dysfunctions and disorder in the socioeconomic system and accelerate its erosion, which in turn fuels anomy in a feedback loop.

Contemporary anomic phenomena largely result from the axionormative characteristics of the neoliberal doctrine, which used to be the predominant dogma for several decades and which has had a major impact on socioeconomic transition in the world. At the same time, this shows the need to undertake systemic reform oriented at restoring the socioeconomic order and preventing social anomy. Here, of fundamental importance is economic theory and its concepts. As John Maynard Keynes observed, it is these concepts that rule the world as ‘the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood’.

2. Economics and the System of Values

The assumption that economics is a science about making money, or chrematistics, is a misunderstanding that has highly negative ramifications for socioeconomic life. It is a dangerous fallacy. If we accepted such a definition, this would imply that anything that leads to profit is permissible and desirable. While the past several decades of dominance of neoliberalism as an idea shaping socioeconomic life in many Western countries (and also largely in Poland) has reinforced this view on economics, the socioeconomic reality and the global economic crisis have given lie to this approach in a most spectacular way. The ‘greed is good’ principle has been definitely disproved. It has also been negated by American sociologist Michael Sandel, who conducts research on ‘what money can't buy’ (which is also the title of his book).

Many economists are concerned about misconceptions pertaining to economics, especially if they become implemented in practice. In 2008, the year of the beginning of the global crisis, Nobel prize winner in economics Edmund Phelps reiterated this concern, emphasizing that economics is not about making money, but rather it is a science exploring the relationship between economy and social life. Economics is a science about humans in the process of economic activity. Any attempt at separating economics from morality in a sense desecrates the legacy of the 18th century Scottish philosopher Adam Smith, who

is considered father of economics. For Adam Smith, the ideas of free market and morality were inextricably intertwined. His first work, entitled *The Theory of Moral Sentiments*, provided the foundation for his inquiry into the nature and causes of the wealth of nations – the subject matter of his later book. However, the free-market neoliberal doctrine is devoid of such a symbiosis, which encourages unethical behaviors increasing the risk of crises. And this has been spectacularly revealed by the global economic crisis.

3. Kondratieff's Ethos and Economics

The free-market economy needs rational economic law, and especially a sound system of values and ethical standards that would provide a solid foundation for that law. It requires an ethos emphasizing the importance of social issues and humanitarianism; it requires freedom, but also responsibility and morality. An ethos consists of the entirety of values, norms, and behavior patterns adopted by a given group of people. In this sense, ethos and economics as a science dealing with people in the process of economic activity are inseparable. Unfortunately, in practice we witness such a separation or disconnect, which is becoming increasingly pervasive. This was very poignantly put by the Nobel Prize winner in economics Joseph E. Stiglitz, who stated that ‘economics had moved – more than economists would like to think – from being a scientific discipline into becoming free market capitalism's biggest cheerleader’.

This is a major allegation accusing an academic discipline of breaching the system of values that is necessary to ensure objective and scholarly findings and assessments. This also undermines confidence in science in general, and in economics and economists in particular.

Given the fact that this conference cycle has been organized by the International N. D. Kondratieff Foundation, I would like to draw attention to the person and scholarly output of its patron. Nikolay Dmitriyevich Kondratieff represented a polar opposite of conformism, partiality, and bias both in his academic work and in private life. He was not only a great economist, but primarily a Great Man. He was driven by the ideas of social justice and the good of people, especially the less affluent ones. His academic achievements, recognized and valued around the world, have not lost any of their significance and relevance over the years. This, in particular, pertains to his theory of long-term business cycles, known in the international economic literature as Kondratieff waves. Indeed, the recent and ongoing turbulences in the global economy fully confirm the validity of the scientific theories of this outstanding economist. Nikolay Dmitriyevich Kondratieff was unwaveringly faithful to his scientific ideas and ideals. He never abandoned his values. Unfortunately, he paid for that the highest price, the price of his life.

Nikolay Dmitriyevich Kondratieff's ethos and ethics in life obligate us to continue efforts for the development of economic theory and empirical re-

search; efforts that must be characterized by the necessary discernment and scientific skepticism, and that must be aimed at the improvement of the quality of human life.

Kondratieff remains a paragon of academic honesty and ethical life. He represents an ethos, a system of values which he treated as a necessary element of harmonious socioeconomic development.

The strengthening of and adherence to the system of social values is needed as a counterweight to destructive anomy and the crisis of trust; it is necessary to enhance the quality of human life and welfare. This theme is increasingly present in economic publications. In Poland, these ideas are championed by Grzegorz W. Kołodko, who argues that an economy without a system of ethical and moral values is like 'life without meaning'. Kołodko also points to the need of developing a new paradigm in economics and embracing so-called 'economics of moderation' in which social issues would not be pushed aside by the pursuit of profits in business.

The fact that economics is a social science obliges economists to advance not only economic, but also social objectives. This is also the message inherent in the academic output and life of the patron of this conference, Nikolai Kondratieff.