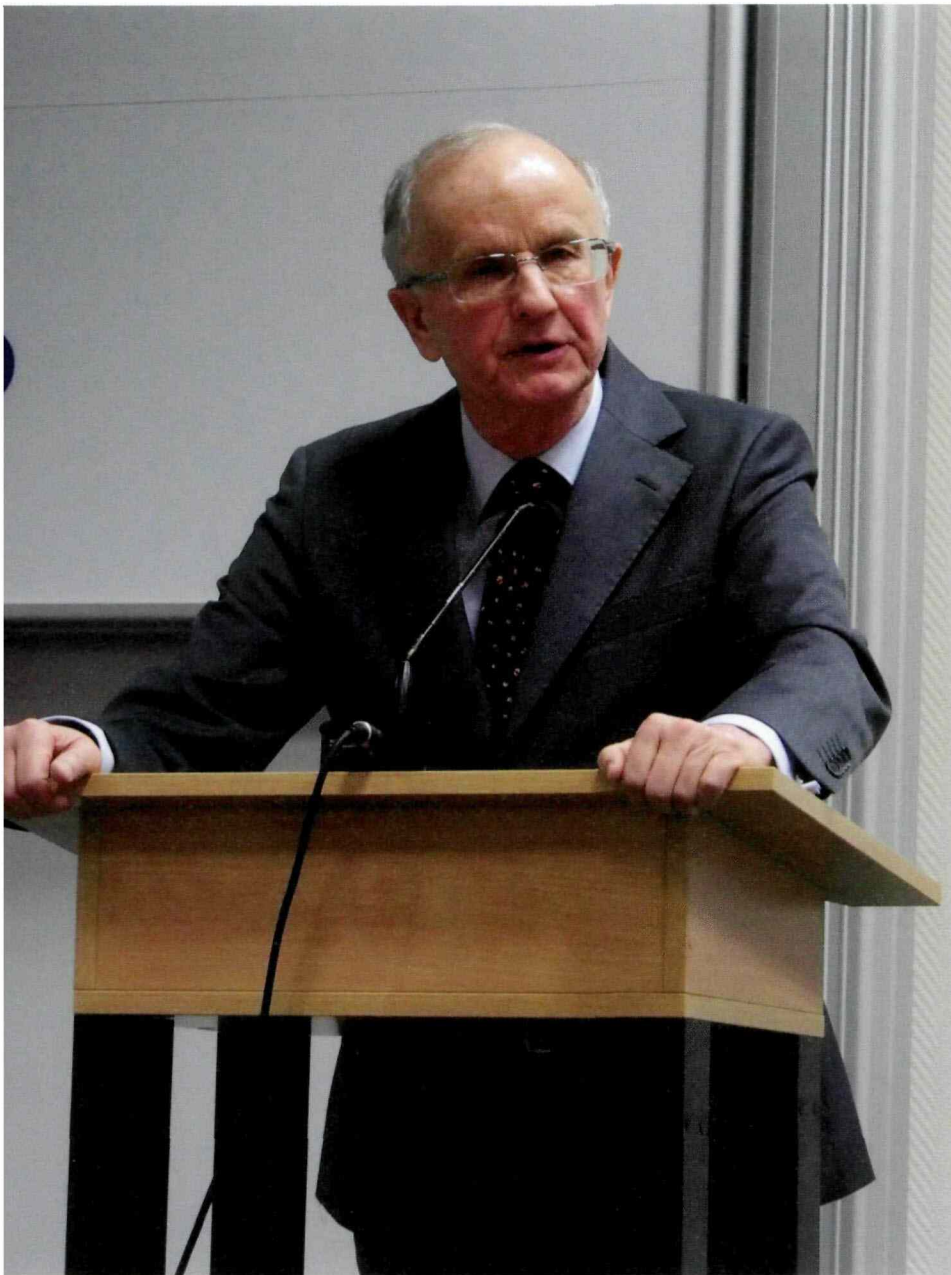


# NEW PRAGMATISM

## A REMEDY FOR NEW NATIONALISM?



New pragmatism, an economic theory proposed by **PROF. GRZEGORZ KOŁODKO**, is meant as a response to challenges posed by the contemporary civilisation and changes in economic systems, in particular by new nationalism. Professor Kołodko has recently turned 70, and the Leon Koźmiński University in Warsaw celebrated the occasion. It was an excellent opportunity to find out about the theory promoted by Prof. Kołodko. The following is a digest of his remarks.

**N**ew pragmatism was essentially born out of thinking about the future. For me, the economy has always had two faces, but not in a hypocritical way, the way it is practised by some of my fellow economists. They speak with a forked tongue because they are involved in ideology or are guided by vested interests. My approach is descriptive and analytical. Based on a value system rooted in axiology, we can and are even bound to differ, but the question is what to do to make things better? We should strive toward a better world with higher efficiency at the work place, better personal satisfaction and a fulfilled family life.

In my book "The World on the Move," I write about twelve major issues of the future. My way of thinking stems from an attempt to provide answers to difficult questions: what does economic theory have to say about solutions to issues that the future can bring, and what does it depend on. If we do not know what it depends on, what to do to bring about change in our favour, we should use positive thinking: what to do to avoid problems?

“THE MOST POWERFUL INSTITUTION SHOULD BE A REGULATORY BODY FAVOURING THE PROTECTION OF CONSUMER INTERESTS, AND THIS IS THE WEAKEST POINT OF THE MODERN MARKET ECONOMY.”

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### WHERE DO CURRENT PROBLEMS COME FROM?

Economic life has become very complicated since the days of Smith, Marshall, Marx and Keynes. They faced simple questions, definitely simpler than those we face now. At present, there are no simple answers.

It is so easy to say: "It's enough not to steal." To others, one simple solution is: "Let's leave the European Union." The thing is, they don't have a clue how to go about it. Others are not quite sure what "not stealing" actually means. It's all terribly complicated. But our duty as economists is to do some serious thinking about complex matters, but to write and speak about them in a way everyone can understand. This doesn't mean we need to provide simplistic answers.

The main question is where we should look for information today. Of course, in books written by wise people, but in most cases in the media. But what is the media like? Without the media, you cannot give answers to most questions. They manipulate or, to put it mildly, shape public awareness, the level of general knowledge in society, which according to scientists sometimes borders on ignorance. Knowledge is the basis for making decisions.

### WRONG ANSWER TO NEOLIBERALISM

The words "freedom" and "democracy" do not necessarily go hand in hand with rational microeconomic realities in national economies, and certainly not with the level of civilisational advancement. And this is a very serious threat, because it plays into the hands of nationalists and populists. Ordinary people have rights, even the right to be xenophobic, because xenophobia stems from fear. People have the right to be scared, but it is our duty as economists to

tell them what they should be afraid of, how they should behave and what they shouldn't be afraid of. We should oppose attempts by some to raise fears among the population, because this is largely linked with nationalism, which in my understanding is the wrong answer to the negative side-effects of neoliberalism. Therefore, one must look for an alternative - hence the new pragmatism.

There is a need for a constant public discussion, especially with those who are wrong and with hypocrites who cynically lie - this is the most difficult thing I have to deal with in my polemics. If someone is wrong, we are able to discuss matters in a rational, intellectual and scientific way and agree on how we should approach a given issue. I can often hear economists who simply lie. They realise that they couldn't be further from the truth, but they lie anyway, because they profit from it in some way, or they would have to admit to their mistakes.

### THE INTERESTS OF THE CONSUMER MUST BE PROTECTED

The most powerful organisation in the country should be the Office of Competition and Consumer Protection. But in fact, protection of the rights of consumers is the weakest point of the modern market economy. Ordinary citizens are manipulated in order to maximise the goal function, which does not serve to satisfy consumer needs and does not ensure equilibrium. It may not be the most important issue, but without this institutional social balance, cultural stability cannot be achieved in society. Our attention should gradually be shifted toward this issue.

We need positive synergy between the power of the invisible hand of the market and the power of the visible hand of the state. At the same time, I'm not aware of any place where optimum solutions have been found. However, I can give examples of places which are closer to achieving this goal. From this point of view, things are certainly better in Switzerland than in Venezuela. Where are we?

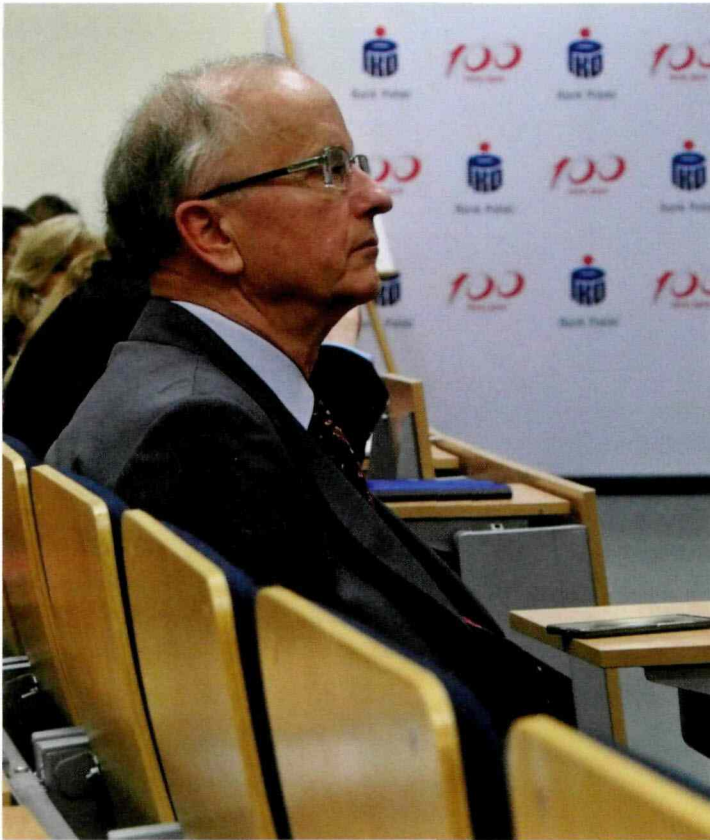
### HOW TO DEFINE GLOBALISATION

I define globalisation as an economist, stressing that there are legitimate non-economic definitions, because it is a multi-track process. Globalisation is spontaneous, nobody has invented it, it has just happened by itself. The liberalisation and integration process lasts longer than our lifetime. To a large extent, it is a system of national economies and branches of industries connected into one interdependent global system. That's why, I fight like Don Quixote against tautology when I hear about the globalisation of the world or the globalisation of the global economy. The world is global by definition, and globalisation is global by definition. If a linguistic competition for an alternative word to the term "globalisation" were announced, I would submit the term "worldisation," instead of talking about the worldisation of the world and the globalisation of the globe.

Globalisation includes: markets, trade, investment, technology transfer, know-how and services which are



“KATOWICE WAS A GREAT SUCCESS. EVEN SMALL STATES MANAGED TO FORCE BIG PLAYERS TO ASSUME CERTAIN OBLIGATIONS.”



subject to cross-border transactions. It highlights various abominations, for example terrorism, economic stupidity and nationalism. I reckon we are witnessing a new stage of the world becoming receptive to the globalisation of nationalism.

### INEVITABLE OR IRREVERSIBLE

Some say that globalisation is irreversible and others that it is inevitable. Here, I make a distinction. Our time on this planet is limited, but some matters do depend on us. Thus, the question arises: is the future of globalisation economically defined and irreversible, or is it inevitable. And inevitable means pre-determined.

My new pragmatism is not determinism. Certain phenomena are determined by their essence and the course they take. For instance that each birthday we get one year older. But the manner in which Poland, the European Union

and the world develop to some extent depends on us, on the intellect, politics, leaders, and strategy. This despite the global crisis, which I believe has five dimensions: the financial, economic, social, political and cultural dimension. Even though neoliberal doctrines and practices have ruled much of the world for quite some time, in spite of turbulence and disturbances which occur in the process of globalisation, I believe that this is an irreversible process.

### CAPITAL CAN BE CONTROLLED

Why is China hated by some, also in Poland? Because it has proved that capital can be controlled and this brings world capital out in a rash. Capital uses governments and politicians to fight China and portray it as public enemy number one.

Nevertheless, the neoliberal variety of globalisation has no future. It could lead to a catastrophe. The clock is ticking, especially when you think of the Doomsday clock mentioned by astrophysicists, ecologists and physicists. In turn, inclusive globalisation (as opposed to exclusive globalisation, ed.) makes sense and can lead us out of trouble. What, then, does China bring in? For example: the new Silk Road. At the beginning, it was about disposing of China's steel and cement surpluses abroad. Then the initiative turned into something big, and in fact, there is now even talk of a China-led globalisation reform. It is globalisation with Chinese characteristics filled with local content.

### WHY WAS COP24 A SUCCESS?

It is crucial what shape globalisation will eventually take and what role particular states and their agreements with other countries will play in it in the future. The prospect of a world government is a dystopia, it is nonsense. On the other hand, political coordination between individual countries, and on the global scale, is imperative because the alternative is a civilisational catastrophe. Can we afford to sit by and do nothing? The climate change summit in the Polish city of Katowice (COP24) was a great success. Even small states managed to force big players like the United States and the EU to assume certain obligations. A degree of consensus was reached, which is clearly a step in the right direction. It also shows what instruments should be used to fight climate change.

It is clear that if there is a need to do something, then the instruments are easy to find. Only this requires a vision, not an illusion about the future of globalisation. This calls for leaders, strategists, unity, and not charlatans of all shades of whom there is no shortage in various countries. I have one reservation. If Saudi Arabia and Iran were to go to war, and Russia and the United States joined it, everything I've said would become invalid. I would need to change my fundamental assumptions. The future I write about in my book "Where Is the World Headed," is not inevitable, it is only possible. But how things play out in the future depends largely on wisdom and active measures. In this respect, economists, including those like us, really have a lot to say and do. •