

NATION CAN BE WEALTHY IF IT IS NOT ETHICAL

Prof. Elżbieta Mączyńska, President of the Polish Economic Society (PTE), talks to “Polish Market.”



PM An excellent book by Nobel Prize winner Robert J. Shiller entitled “Finance and the Good Society” will soon appear under the imprint of the PTE publishing house. What is this book about?

PTE publishes a series entitled Nobel Prizes in Economics, with a book by a Nobel Prize laureate coming out every year. This year, PTE has published a book by Prof. Robert J. Shiller, a Nobel Prize winner in 2013. I think this book is very important and should be treated as required reading for economists.

PM Why?

What prompted Shiller to write the book were opinions voiced about the financial sector in the wake of the global crisis. The sector is accused of being the main culprit. Shiller’s

book has at least two goals: firstly, to make opinions about the financial sector more objective and, secondly, to expose the irregularities which led to the crisis.

PM Banks were made fully responsible for the crisis because the collapse of the Lehman Brothers bank is seen as something which triggered the crisis.

Shiller writes indirectly about our human behaviour, which influences the approach to the banking sector. The disappointment which came after the crisis made us accuse the financial sector of being the biggest evil of the world. But at the same time, Shiller proves that in many respects the financial sector does deserve this negative opinion. This is why solutions are needed to make it more

disciplined. The book shows the functions of the financial sector as the bloodstream of the economy. According to Shiller, the financial sector will continue to expand and more and more new financial services will be needed. This is well visible in the insurance sector. We now insure ourselves against new risks which until recently we did not insure ourselves against. An example is insurance against the risk of losing a job. Shiller says the same will be the case with the financial sector. Life is likely to bring about new needs and forms of financial products. And if life does not bring them about then the financial sector will create them. I agree with Shiller because life is indeed changeable and unpredictable. The financial system will certainly be responding to these changes. However, there indeed

occurred many irregularities and behaviours far from ethical in the financial system. And Shiller, who is a proponent of behavioural economics, points to them.

PM What is behavioural economics?

It is the economics which takes our human weaknesses and behaviours more into account than mainstream economics does. The latter is associated with the neoclassical school of economic thought. Man does not always act rationally, does not always function as homo economicus because emotions and moods rule our behaviour. And Shiller, as a behaviourist, deals to a large extent with ethics. This is why it is worth reading this book because it shows that ethics has a strong influence on economy. The absence of ethical behaviour leads to the erosion of confidence. Polish sociologist Piotr Sztompka shows in his book “Zaufanie. Fundament społeczeństwa” (Confidence. The Foundation of Society) that confidence is necessary in economic development and that it is the foundation of security in daily life. He also shows how negative the consequences of a confidence crisis are for society. If people do not trust each other they tend to think they should deceive someone first so as to prevent that person from deceiving them. And this kills the solid economy. An unethical world undermines the quality of life. And the quality of life depends not only on GDP figures, but also the environment we live in – whether we live under constant stress and, as a result, are unable to be creative and so on.

Economists often quote Adam Smith, the “pope of liberalism.” But we do not always remember that Adam Smith was a philosopher and first wrote “The Theory of Moral Sentiments” as a starting point for his book “The Wealth of Nations.” It is clear from the first book that no nation can be wealthy if it is not ethical. Ethics is the indispensable pillar of economy. Every unethical act harms the whole economy and the quality of life.

PM We are holding our conversation on the day when Polish President Andrzej Duda presented guidelines for a law reducing the pensionable age, that is a law restoring the previous age of retirement – 65 years for men and 60 years for women. What is your opinion about this proposal?

There are demographic reasons behind raising the age of retirement. And it is doubtful to have different ages for women and men,

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if only because of the constitutional principle of gender equality. Secondly, as I said at the beginning, the draft law reducing the pensionable age goes against demographic trends because we live increasingly long. This is why this solution is doubtful. I think it is valid to raise the age of retirement, but at the same time greater flexibility in the approach to pensions should be possible.

PM What do you mean?

If someone has worked for 40 or 35 years and does not want to work longer he or she should have the right to retire, irrespective of how old they are, however, on condition that a shorter working period means a lower pension. But the important thing is the right to choose.

PM Speaking about ethics, the European Union is in crisis. For the time being, it is a worldview and ethical crisis, but it may soon turn into a purely economic one.

The European Union’s mistakes and omissions, and the absence of a strategic approach to the problem of migration are emphasized in the discussions which are now going on. In a globalizing world, great migrations will continue and will be intensifying. Migrations are also induced by wars and economic differences in the world. It is a natural thing that people look for better conditions for themselves. At the same time, the EU has to take into account that among the immigrants will be people creating threats of various kind,

including terrorists. Maybe the EU should use Australia’s experience. As a prosperous country, Australia is constantly under migration pressure. Australian policy on illegal migrants is very rigorous. No illegal migrant travelling by sea can hope for receiving refugee status in Australia. Such people are transported to distant, closed and rigorous centres outside Australia, mainly in the island republic of Nauru and Papua New Guinea. Their applications for asylum are processed there and then they are either returned to the country from which they started their sea voyage – it is usually Indonesia – or are offered the right to settle in Australia. Such immigrants are helped to get fully assimilated with Australian society.

PM The situation which has emerged proves that Poland still has a long way to go to catch up with Western Europe, despite what politicians say. Poland is treated merely as a stop on the way to Germany. This is not optimistic. The migrants are certainly discouraged by our low wages. We are lagging behind other European countries not only in terms of wages, but also the welfare package and development opportunities in general.

A country which has very low wages – and wages in Poland are low compared to Western European countries – cannot have favourable conditions for innovative development. We are becoming an “assembly plant,” a country depending on subcontracts. Meanwhile, these are easily relocated to other countries. As a result, there is no guarantee that we will continue to have jobs. For a country to have a strong foundation for development it has to take care of innovation and the development of its own manufacturing. I do not agree with the economists who say that we should first reach an appropriate GDP level and only then can we afford higher wages. This is a “chicken or the egg” dispute. Low wages cause the primitivization of business.

PM How to help those who govern. How to stimulate innovation and enhance the competitiveness of Polish enterprises, but not only through low employment costs?

This requires defining long-term priorities. We live under the terror of the election cycle. Instead of starting everything anew every four years, we need a long-term strategic approach, with social and economic priorities clearly defined and adhered to. •