

# THE ROLE OF THE STATE – HARMFULNESS OF DOGMAS



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The Polish Economic Society has released the Polish edition of “Finance and the Good Society” by the 2013 Nobel Prize winner in economics, Robert J. Shiller. The book is largely about the role of the state in shaping governance and social welfare. One necessary condition for it is encouraging innovation across the country. Innovation was precisely the subject of a debate organized by the Polish Economic Society as part of “Thursdays with Economists” in February and as part of the “Strategic Thought Forum”. The keynote speech was delivered by Prof. Eng. Andrzej Pawlak from the Lawrence Technological University in the US, an expert in the field of IT, technology commercialisation and intellectual property. The motto of the debate was “Let the world hear about the Polish niche.” However, in order for innovative niches to be used effectively, involvement of the state is necessary. It has an important role to play: not only supporting innovation, but above all regulatory functions, including those related to intellectual property protection.

At the same time, however, the role of the state, not only the area of innovation but in the broadest sense, is still the subject of an almost eternal dispute. Neo-liberal supporters of the thesis that the free market can fully and effectively replace the state in all, or almost all of its functions, including in the field of innovation, tolerate at most a night-watchman state. Their opponents make the case for a nanny state, one interfering in almost all spheres of social and economic life. Although neither contemporary nor historical experience seems to support either of such extreme views, intransigent disputes, leading to no constructive conclusions, have no end. And they could be dismissed as futile were it not for the fact that the role of the state is now becoming increasingly critical issue.

Whilst it is considered that the primary responsibility of the modern state is to nurture the country’s harmonious social and economic development and guarantee its internal and external security, this is not always confirmed by practice. The reason for this is a surge in symptoms of economic and social disorder, such as persistent unemployment or sharp income inequality, in many countries and regions. This means that the state fails to fulfill its fundamental function as a guarantor of social and economic security. And there is no genuine freedom without security. The poles of wealth and poverty adversely

affect demand and, consequently, hamper economic growth, innovation, and maintenance and creation of jobs.

Although the proponents of marginalisation of the role of the state in favour of the free market emphasize, not without reason, that empowering the state carries a risk of statism, bureaucracy and various perversions, the practice shows that the slogan “less state” is not a solution because it is important that the state be effective in performing its basic functions under the social contract.

It follows both from the economic practice and theory that the major threat for any country is institutional inefficiency. The greater the institutional weakness, paralysis of the state, the more room for things that have nothing to do with reasonable management and social good. The market economy and people have the more genuine freedom, the more efficient is the state. Only an efficient state can become a counterweight to the power of global corporate giants. Indeed, it is evidenced by the experience of many countries, including Switzerland and Nordic states. Supranational organisations cannot replace an efficient state. Their fate is ultimately largely decided by the member states. In this sense, the role of the state takes on a new dimension and meaning.

At the same time, a complex system of interdependence between collaborating countries, emerged as a result of globalisation, requires adapting of the role of the state to the new requirements. The country’s increasing openness, including economic, to international cooperation means, on one hand, broadening the area of freedom, but, on the other hand, a growth of interdependence. For these dialectical interdependencies to be conducive for the social and economic development, innovation, social welfare, and the optimal personal development, a social and economic policy is necessary – focused on freedom and its preservation – defining the role of the state and the public sector. However, there is no single right economic theory, and likewise, there is no single right concept of the state. Both must match the changing circumstances and national specificities. Any dogmas are harmful here because they are a barrier to searching for optimal solutions.