

# FREEFALL – or what happens if there is no economic deliberation

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THE WORLD MOVES AHEAD AT GREAT SPEED, while the less developed countries – much like new contestants – keep on waiting anxiously for the US to win a gold medal in the global economy. Isn't it a blind pursuit, though, given that the former host champion – the United States – has been FREEFALLING? The FREEFALL has resulted in the global crisis from which the world is yet to recover. This is the opinion expressed by American economist Joseph E. Stiglitz, the winner of the Nobel Prize in economics in 2001, who blames politicians and financiers for their actions, based on insatiable greed and lack of imagination, leading up to the deadlock.

Stiglitz picks the whole American financial sector to pieces, comparing its activities to a FREEFALL. The book which bears this title has recently been published in the US, and in the near future it will be available in Poland thanks to the Polish Economic Society. The book written by Stiglitz is a serious, evidence supported accusation not only of the American financial sector, but also of the economy as a scientific field. It is full of unflattering opinions on the performance of economists. The featured assessment should not be summarized, however, the way Leszek Balcerowicz does, saying that there are two Stiglitzes: „one is an outstanding mathematical economist who justly received the Nobel Prize for his contribution to economic theory, the other a publicist whose statements are not much different from those propagated by populist Polish politician Andrzej Lepper, being totally unrelated to his economic theories. His words are all the more damaging, as the opinions he expresses are treated very seriously because of the Nobel Prize he has been awarded.” (Gazeta Wyborcza daily, May 11, 2010) Such a comparison is hardly acceptable, and Stiglitz's

views are hardly damaging in the light of not so much the Nobel Prize winner's achievements, but the fact that he had been warning the world of the crisis long before it actually happened. Stiglitz refers to financial sector distortions, information asymmetry, and the fallibility of the neoclassical economic market theory with its fundamental efficient market hypothesis.

Analyzing the issues which „went wrong”, Stiglitz accuses economists of short-sightedness and an uncritical participation in the choir of voices cheering the market economy and neo-liberal doctrines.

Such critical views are also formulated by Nouriel Roubini and Stephen Mihm in their book titled “Crisis Economics A CRASH COURSE IN THE FUTURE OF FINANCE” (The Penguin Press, New York, 2010, page 16): “As it became apparent that the crisis was real, many commentators tried to make sense of the disaster. Plenty of people invoked Nassim Nicholas Taleb's concept of the “black swan” to explain it. Taleb, whose book of that title came out on the eve of the crisis, defined a “black swan event” as a game-changing occurrence that is both extraordinarily rare and well-nigh impossible to predict. By that definition, the financial crisis was a freak event, albeit an incredibly important and transformational one. No one could possibly have seen it coming. In a perverse way, that idea is comforting. If financial crises are black swans, comparable to plane crashes – horrific but highly improbable and impossible to predict – there's no point in worrying about them. But the recent disaster was no freak event. It was probable. It was even predictable, because financial crises generally follow the same pattern over and over again. Familiar economic and financial vulnerabilities build up and eventually reach

a tipping point. For all the chaos they create, crises are creatures of habit”.

Moreover, economists are reproached for their naive interpretation of Adam Smith (1723–1790), taking it for granted that the market excuses its participants from having to think about morality. If the pursuit of our own, egoistic goals leads to (as if directed by an invisible hand) social prosperity and well-being of nations, “all we should care about and do is make sure we act in accordance with our interests”. It has been ironically described by Peter Sloterdijk, a German philosopher, who concludes that a real hero of the neo-liberal doctrine, based on the neo-classical economy and market fundamentalism, is Harry Potter with his vision of the world devoid of true borders, and the slogan “discover a magician in yourself”. In English, a potter is a craftsman making pots, i.e. empty dishes. “These days, only losers believe in work. All the others engage in the potter magic and activate their derivative products.”

The catastrophic consequences of following the „potter” philosophy have been referred to by one of the outstanding, modern French intellectuals – Jacques Attali, a financier, author and the first president of the European Bank for Reconstruction and Development – in the book entitled “The West – 10 Years Before the Total Bankruptcy”, published this year and already available in Polish.

The neo-liberal doctrine criticism has met with strong reactions, even reprimands, of the academia and financiers. These conflicts reveal how important it is to look for a new economic paradigm and a new model (or models) of the economic establishment, as well as some fresh solutions or regulations that would stabilize the global economy and domestic markets. Only palliative measures have been implemented so far to stem the crisis – instead of a medication capable of curing the disease. As if somebody were trying to treat an infarction with aspirin. ::