# Chapter 2
# Economics and a Civilizational Breakthrough: Open Questions

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## 1. Introduction[1]

The years 2008 and 2009 will certainly be remembered as a period of heated debates about the role of the various economic theories and schools in the process of shaping the economic system. Though this topic has always stirred up controversies and discussions, their number has dramatically increased of late, mainly due to the deep global economic crisis that initially hit the USA in 2007 and has not yet ended. Economists are blaming one another, naming past mistakes that have thrown the global economic system dangerously out of balance and into a state of disarray. The crisis has significantly tarnished the reputation of economics as a science (The Economist, July 16/2009). The titles of publications on this subject are self-evident. Paul Krugman, the 2008 winner of the Nobel Memorial Prize in Economic Sciences, asks "how did economists get it so wrong?" pointing to the dangerous syndrome of *casino finance, the shadow banking system* and the ensuing return of depression economics ("The Return of Depression Economics and the Crisis of 2008") (Krugman 2008). In his book under the above title, he analyzes a number of global economic crises that have unfolded in the last dozen or so years, and puts the blame primarily on the neoliberal doctrine and on advocates of the so called "Chicago School". Some other Nobel Prize winners also join in criticising neoliberalism, Joseph Stiglitz and George Akerlof among them. While this view of neoliberalism and the Chicago School is heavily criticized or even rebuked by many academics and non-academics alike, it is nonetheless defended by some others, including Robert Lucas (The Economist 6/2009). A particularly harsh reaction to Krugman's views came from a Chicago School economist, Professor of Finance John H. Cochrane, (How did Paul Krugman get it so Wrong?), as indeed Krugman is often said to profess blind and indiscriminate faith

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in state interventionism ("Still looking for a free lunch"). In Poland Stan Gomułka joined the debate in a similar vein (Gomułka, Krugman 2008).

The various disputes about the economy have made it apparent that "no tl is better than others", as Professor of Economy and Member of the British I of Lords Robert Skidelski aptly put it. At the same time, he asserts that the Ch School of Economics "has never been more vulnerable than it is today - deservedly so".

These and other discussions reflect contemporary dilemmas in econo including a number of insolvable problems. These dilemmas mainly co questions of whether particular economic approaches remain relevant and u and whether they can be applied in the real world, which is changing exceptionally dynamic pace. On the other hand the question arises if the h debate would be now taking place without a global crisis. Furthermore, is crisis that has damaged confidence in mainstream economics, or perhap underlying cause has little to do with it and instead can be traced to the on global civilizational breakthrough and the "punctuated equilibrium"?

## 2. The crisis in the context of the civilizational breakthrough and the post-industrial economics of impermanence

Due to the great extent and depth of the current global economic crisis could legitimately ask whether it is a typical "genetic" manifestation of a ph the business cycle, *i.e.* in the "ups and downs" inherent in the market eco with a sinusoidal development curve. This would be an obvious conclusion, w not for the fact that the crisis is unfolding under conditions of the on civilizational and technological breakthrough and a changing develop paradigm. This is reflected in the industrial civilization being phased out by a industrial civilization, whose nature still remains rather vague. The wo evolving towards a new, highly networked model of a knowledge-based eco or virtualized "wikinomics" (with a network government and network demo (Tapscott, Williams 2008).

The extremely rapidly changing world makes the future increasingly ob while the present is not quite satisfactory. As a result of the growing dynam global change, the economy is gradually becoming akin to an "econor impermanence" (Toffler 2003). Almost all forms of business have be unstable, their lifecycles shortened. This holds not only for technologic products, but also for jobs, communication, production, trade, education, and for models of family and professional careers (A. Toffler, H. Toffler 1996). N everything has become provisional. The growing dynamics of technol development indicates that this trend of impermanence is going to persist. T turn raises the likelihood of economic disruptions and crises, which is conf by the fact that in the last 30 years we have witnessed about a hundred bank (Wolf, 2008).

In the face of the staggering pace of changes, it seems that "the past does not become history, but archaeology (...) with which we feel no emotional connection. This shows the profound vulnerability and misery of contemporary man: he cannot find a firm foundation in history, as past events disappear from his memory" (Szulc, Kapuściński 2002). The past and present appear increasingly obscure, chaotic and incomprehensible, especially in a world with an overwhelming multitude of information sources brought about by the development of technology and communications. Some of the consequences of this state of affairs include the disintegration of the ethical system and erosion of the value system. The problem lies in the fact that when people forget history, they also lose sight of the moral examples they could follow both in economic activity and in their private lives.

In analyzing the current dysfunctions of the global economy and the eroded value system, too little thought seems to have been given to the challenges resulting from the ongoing civilizational breakthrough. Ignoring the clash of two different civilization paradigms may prove very dangerous, as it is evocatively pictured by Samuel P. Huntington: "Far more important than economics and demography are problems of moral decline, cultural suicide and political disunity in the West" (Hungtington 2004, p. 536). This situation poses a threat to the sustainability of development, especially that in studying recent developments researchers do not pay sufficient attention to the fact that the ongoing crisis of the value system, ethics and trust reflects a much broader crisis of the whole industrial civilization, which has been pointed out by *e.g.* Toffler (Toffler, 2003).

As Alexander Bard, a lecturer, writer and Swedish Internet pioneer expounds: "*We live simultaneously in two eras, although few people realize it. One of these eras, already in its terminal stage, is capitalism. The other one, related to the IT revolution, is the era of the Internet. In the former, the top of the social pyramid was occupied by factory owners and bankers, and the bottom – by the proletariat. In the coming era, the top echelons of power belong to a small but extremely wealthy netocracy. At the bottom of this social pyramid we find consumtariat*" (Sodergrist, Bard 2006), or the lowest social class comprising of socially excluded, digitally-illiterate people.

The decline of the industrial civilization inevitably leads to shifts in the global economic potential and structure of power. Business and political establishments fiercely compete for the various areas of power delineated by the declining civilization. The physical or material image of that civilization, compared to the image of the modern, still not fully comprehensible, virtual economy, continues to be appealing. The supporters of the industrial civilization emphasize its transparency, irreplaceability and vitality (called by Toffler "materialismo") (A. Toffler, H. Toffler 1996). Ownership relations are also bound to change. Of fundamental importance becomes intellectual capital, rather than ownership of means of production, as in classical capitalism. Another key factor is access to knowledge and information, standing in opposition to digital exclusion (Piontek).

The syndrome of impermanence also applies to knowledge. In a rapidly changing world, the *life cycles* of knowledge are shrinking. Thus, knowledge is becoming more and more undemocratic, dramatically differentiating businesses and their chances for success (Mączyńska, 2003). Thomas Friedman believes that the world has become flat as a result of "Internet globalization", which has made it possible for professionals in developing countries to compete on a level playing field with those from highly developed countries. This theory, however, appears to be quite illusory (Friedman, 2006 p. 358), especially in the light of the current crisis. The concept of "the flat world" is a reference to an equally evocative notion of "the global village", which was coined in the 1960s by Marshall McLuhan. Although new technologies do facilitate the process of reducing differences between various regions of the world, paradoxically the gaps tend to increase, even in the face of "the death of distance".

The social trauma, escalating uncertainty and insecurity, accompanied by a crisis of trust (Sztompka 2000, 2007) casts a shadow on the multitude of development opportunities available in the contemporary world.

The crisis of trust has been seriously aggravated by the financial sector and capital flows, which have become increasingly detached from the real economy over the past decades. That alone could have led to a crisis (Tapscott, Williams 2008). John Bogle, a finance expert named by the "Fortune Magazine" one of the most influential American businessmen, ironically observes: "Over the past two centuries, our nation has moved from being an agricultural economy, to a manufacturing economy, to a service economy, and now to a predominantly financial economy. But our financial economy, by definition, subtracts from the value created by our productive businesses" (Bogle 2008, p. 47).

Although Bogle does not question the added value the financial sector creates (by means of *e.g.* adding new jobs), at the same time he proposes that the more money the financial system retains, the less is returned to the investors, who are actually the main "food providers" in the existing very expensive financial-investment "food chain". Thus, it is necessary to adopt a rational methodology for running the finance sector with a view to macroeconomic effectiveness. In its present form, it "subtracts value from our society" (Chapter, pp. 29-48). Perhaps this is one of the reasons why, despite the immense and ever-increasing production potential of the new economy, the developed countries have been affected by faltering economic growth rates for many years now. Furthermore, contrary to the popular fallacy, greater growth dynamics does not entail higher employment rates. Commenting on these issues, John Bogle concludes: "We have moved to a world where far too many of us seemingly no longer make anything: we're merely trading pieces of paper, swapping stocks and bonds back and forth with one another and paying our financial croupiers a veritable fortune. In the process, we have inevitably added even more costs by creating ever more complex financial derivatives in which huge and unfathomable risks have been built into the financial system (Bogle 2008). Bogle addresses the current crisis and the actions of international corporations paraphrasing Winston Churchill – "*Never has so much been paid to so many for so little*" (Bogle 2008, p. 38). This also implies that the global economy has been dominated by intermediaries. Bogle observes that we live in times which are at the same time wonderful, interesting, inspiring, and saddening: "Wonderful in that the blessings of democratic capitalism have never been more broadly distributed around the globe, sad in that the excesses of that same democratic capitalism have rarely been more on display. We see the excesses most starkly in the continuing crisis (...) in our overleveraged, overly speculative banking and investment banking industries"(Bogle 2008, pp. 1-2). This trend is further fuelled by the process of globalization. According to Jadwiga Staniszkis "paradoxically, the global logic (and the invisible hand of globalization along with its asymmetry of rationality) has eliminated (...) the invisible hand of the market (as understood by the liberals)" (Staniszkis 2003, pp, 197-198).

The turbulent global changes and their ambivalent assessment will inevitably lead to reconsideration of some economic theories. New research trends are already emerging, including the interdisciplinary *economics of complexity* and the *imperfect knowledge economics* based on psychoeconomics, or behavioral economics. Arguably, they mark the beginning of a pronounced shift in the economic paradigm. In the view of Andrzej Wojtyna the "economic ferment", and the way economics responds to the accusations levelled against it, is reflected in the fact that "on the one hand, advances in behavioral economics, lead to a deep reconstruction of the assumptions underlying the concept of *homo oeconomicus*; on the other hand, research carried out in the loosely defined area of *complexity economics* questions the traditional way of understanding the equilibrium and dynamics of economic systems. (...) It seems that the ongoing changes may, in the long run, revolutionize not only the scope (subject matter) of economics, but also its methodology. However, one needs to be careful in qualifying the changes as revolutionary, not only due to (...) ideological influences or mere ignorance of the critics, but also due to the substantial adaptability of mainstream economics. Then, revolutionary changes do not need to be symptoms of a crisis, but may testify to the "vitality" of economics" (Wojtyna).

**3. The economics of complexity and the economics of imperfect knowledge**

Although the global crisis has escalated the various economic controversies, the need to modify or even reconsider and revise some of the old economic theories had been acknowledged much earlier. While the principle of free-market competition promoted by the neoliberal doctrine remains unchallenged, it has been pointed out that excessive competition between businesses may lead, as practice shows, to some undesirable consequences and threats, especially that "the boundary between rivalry and destruction is very thin" (Hambden-Tuner, Trompenaars 1998, p. 122). This seems to reinforce Leon Hurwicz's argument that the Smithsonian "invisible hand" needs "intelligent guidance" (The Economist October 18/2007). Paul Samuelson also advocates the golden mean ("Ich bin ein Mann der Mitte"): while approving the "invisible hand" mechanism, he asserts that in the face of globalization this hand should be holding the handbrake ("Globalisierung ja, aber mit einer Hand an der Handbremse"). (Rottwilm, Samuelson 2008). He also observes that some theories, including the comparative costs theory, have largely lost their relevance. In turn, Milton Friedman has admitted to a mistake: "*The use of quantity of money as an overarching target and principle for economic decision-making has not been a success. I'm not sure that I would as of today push it as hard as I once did*" (Forum 30/2003). An impending shift in the views of theoreticians is also visible in works of such renowned economists as G. Becker, J. Stiglitz, John Kenneth Galbraith, Phelps, Kahnemann, and others (Galbraicht 2005; Stiglitz 2004).

The syndrome of impermanence in the economy thus appears to render many theories impermanent too, including a number of economic approaches, even though there is some controversy as to this point, which seems to escalate proportionately to the accelerating rate of global economic changes.

The controversies concern the adequacy and usefulness of the basic branches of economics in the process of long-term economic policy-making. Furthermore, an approach that is optimal in one type of economy and economic reality may be inefficient in another, which should be taken into consideration in the process of designing the right economic and political system. According to Nobel Prize winner Edmund S. Phelps, the above principle is one of the important highlights of the theory proposed by Roman Frydman and Michael D. Goldberg (Frydman, Goldberg 2007 p. xiii), who argue that in an age of a knowledge-based economy we are actually faced with *imperfect knowledge economics* (Frydman, Goldberg 2007), and thus "*the truth is imperfect and certainty untrue*" (Ekononomia niepewności p. 3). Economics is a science based on studying certain regularities, but in conditions of dynamic changes it becomes increasingly difficult to identify them. Furthermore, even the most sophisticated economic theory, but one failing to accommodate society as a factor and to account for human behavior, would not yield satisfactory results. That is why Frydman and Goldberg stress the need to shift the focus of economic studies from quantitative analysis and mathematical modelling to qualitative analysis. Mathematical models are based on some fixed assumptions and regularities, so in a rapidly changing environment they become less useful. As Robert Shiller emphasizes, traditional economic models used for research, analysis and predicting the market do not allow for speculation bubbles. "That is why analysts get confused when a bubble dangerously grows, and get completely lost when it bursts, causing a crisis. Economists advocating so-called neoclassical economics cannot understand the bubble mechanism, as they assume the market to be a place where rational actors make informed decisions and negotiate rational prices of goods." (J. Żakowski, Polityka 5/2009).

The above statement corresponds to the critical opinion voiced by Wacław Wilczyński, who says that "the purpose of Polish economics is not only to record facts and arrange them into impressive charts and formulas, but to decisively formulate the conditions for success. This is a crucial prerequisite for Polish economics to attain the social and scientific standing it deserves" (Wilczyński).

The recent debates about the mission of economics point to the increasing role of qualitative analysis as well as to the dangers arising from ignoring the history of economic thought. Analyzing the causes of the ongoing crisis and economic dysfunctions George Akerlof and Robert Shiller exposed the negative consequences of not learning lessons from history, *e.g.* from the Great Depression of the 1930s. In their book entitled "Animal Spirits" they expound a new economic approach called behavioral economics, or psychoeconomics, drawing on Keynesian theory and advances in other fields such as sociology, social psychology, pedagogy and even neurology and anthropology, as well as other branches of knowledge (Akerlof, Shiller 2009).

It should be mentioned here that the importance of historical experience had been previously noted by Henry Hazlitt: "Many of the ideas which now pass for brilliant innovations and advances are in fact mere revivals of ancient errors, and a further proof of the dictum that those who are ignorant of the past are condemned to repeat it" (Hazlitt 1993, p. 9).

The new approach underscores the need to expand the time scope of research, while the neoclassical and neoliberal doctrines generally marginalize issues of futurological nature, as the future is to be taken care of by free market mechanisms. The unreliability of these doctrines and the negative consequences of their short-sightedness was observed a long time ago, as exemplified by *e.g.* the notion of "*the tragedy of the commons*" (Hardin 1968). Drawing on the renowned economist Frederic Bastiat, Henry Hazlitt discusses the above problem, claiming that one of the most serious popular fallacies surrounding economics is the so-called "*broken window fallacy*" based on short-sightedness (Hazlitt 1993, p. 24). The "*broken window metaphor*" used by F. Bastiat and H. Hazlitt, though controversial as it may be, proves that short-sightedness and superficial economic judgment sooner or later lead to negative consequences. The importance of economics as a tool for guiding the economy and shaping its future is forcibly stressed by Austrian School economist Henry Hazlitt: *The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.*" (Hazlitt 1993, p. 17).

At the same time, Roman Frydman argues that "in social sciences – economics being one of them – there are no certainties. Whoever is looking for universal certainty will be naturally doomed to fail. (...) Even the most distinguished experts cannot remove uncertainty. (...) It is impossible to arrive at sensible economics without considering the unpredictability of human reactions to signals, information, commands and stimuli" (J. Żakowski "Polityka"8/2008, p.3). In Frydman's opinion, our times are characterized by growing uncertainty and changeability, so the only option is to accept error as a natural state, as paradoxically this helps to minimize the likelihood of making mistakes.

The 2009 Nobel Memorial Prize in Economic Sciences also seems to draw attention to the unreliability of theories and the related risks. One of the winners was American researcher Elinor Ostrom (the co-winner being Oliver Williamson), awarded for her contribution to economic governance. She challenged the universal belief and theories stating that common-pool resources have always been inefficient and badly managed and, by the same token, that the only effective path is privatization. Her stance also seems to contradict "the tragedy of the commons" which claims that collective ownership is always destructive to existing resources. In Ostrom's opinion, common-pool resources have been managed much better than the classical theory would have it. The research she conducted proves that the owners of such resources are able to effectively solve all conflicts of interests that may arise, thus vindicating this type of ownership.

Therefore, a difficult question arises here, as to the role of economic theory in general and of the various economic schools in the changing world. This question is further compounded by the fact that economists and economic theories are blamed for the existing economic dysfunctions and for the fact that the current crisis was neither predicted nor prevented (The Economist, July 16/2009). Economists are also accused of adhering to old "schools" and ignoring new developments in the economy.

The problem of economists and economics being reactionary was raised years ago by John K. Galbraith, who said of Keynes that while "pondering over the future of economics, he did not sufficiently take into consideration the attachment of traditional economists to classical values and notions, or how they were going to be verified and justified in the light of the ongoing changes" (Galbraith 1992, p. 298).Their main strength lies in the fact that they primarily cater to long-standing professional and economic interests. Galbraith critically states that "Economics is held within the classical or neoclassical bounds mainly thanks to the consolidated, strong involvement to preserve the existing beliefs. These are indeed strong ties, and few economists are willing to reject the knowledge that was accepted and taught when they went to college, and which they subsequently defended and developed in their lectures, writings, and academic discussions. To reject what they had been taught and what they were teaching to others would mean admitting they were mistaken, and nobody would be willing to do that. It should also be said that people are unwilling to undertake the effort of thinking necessary to adapt themselves to changes. This is an effort economists, but not only them, find uncomfortable or even painful" (Galbraith 1992, p. 298).

The persisting influence of the classical theory is ascribed by Galbraith to the power of economic interests and to the usefulness of this theory in solving the problem of knowledge in the economy and politics. If, as the classical economic theory would have it, the economy is ruled by the market, the issue of power abuse becomes irrelevant, and the criticism of government is perceived in terms of struggle against the market. Another important factor explaining the strength of the classical theory is that it attempts to mathematize economics and treat it as an exact science. The assumptions of classical economics enable mathematical modelling. The question thus arises whether, in the face of deepening economic uncertainty, the ambivalence of quantitative assessment of economic phenomena, and the growing focus on unquantifiable, qualitative factors, the neoclassical branch of economics can retain its dominant position, or whether and to what extent it will be replaced by other approaches such as "imperfect knowledge economics". While this question remains open, in the light of the discussed changes in the civilization paradigm and the ongoing turbulent economic developments, economics is inevitably bound to evolve into a more heterogeneous science with a new paradigm. This process has already begun, primarily in terms of methodology, including measurement of economic growth rates, as the classical gauges have turned out to be deficient.

This is due to the fact that in a rapidly changing world and given the extremely high level of financialization the basic measurement of economic growth, *i.e.* GDP, becomes unreliable. Therefore, academics have set out to identify new methods of measuring growth, welfare and the quality of life. One of the latest developments is the Gross National Happiness Index (GNH), which involves not only economic growth, but also social justice, preservation of cultural values, the quality of governance and economic policies, social issues and environmental protection. Grzegorz W. Kolodko, Polish economist and former Prime Minister, encourages this line of research offering an "Integrated Well-Being Index" (Kolodko 2008).

The current crisis has intensified the search for new gauges of economic growth and well-being of finances, business and life, infusing the debate with new vigour. One of the latest attempts in this field was made in February 2008 by French President Nicholas Sarkozy, who appointed a special committee for measuring economic and social growth. The committee, chaired by Joseph E. Stiglitz, noting the deceptiveness of the GDP indicator in assessing welfare and finding other existing metrics of economic growth and the quality of life unsatisfying, recommended the broader use of other, measurable and objective indicators of welfare, or well-being, and also the use of some more subjective happiness indicators. It has also recommended a more open approach to measuring well-being, arguing that well-being is a multi-dimensional category, and research methodology should cover not only financial factors, but also other issues such as health, education, political system, *etc.* (Stiglitz, Sen, Fitoussi 2009).

Welfare creation and its measurement is closely connected to the process of developing the right economic and political system. This is even more important now, as the global economy has been thrown into a state of "punctuated equilibrium". Under the circumstances, Lester C. Thurow has warned against threats to capitalism resulting from the simultaneous movement of five economic "tectonic plates", which are the underlying vehicles of change. They include:

- the fall of communism, which led (by the pendulum effect) to indiscriminate confidence in the neoliberal doctrine,
- economy based on intellectual capital, a knowledge-based economy,
- demography, rapid growth of population in the poorest countries, increased mobility, and ageing societies,
- increasing globalization and the resulting complexity and obscurity of economic relationships,
- a world without a dominating superpower, as the USA is gradually losing its hegemonic hold.

**4. "Ordo" and the system policy**

Under conditions of imperfect knowledge economic policies and models of economic systems must be adjusted to specific economic conditions, since rules which are optimal for one economy may turn out to be suboptimal for another.

Economic history shows that new civilization patterns enabled by technological breakthroughs have always been accompanied by crises and destruction of *the old in favour of the new*. Then the new patterns and turbulent changes translated into new economic systems. Thus, the agrarian civilization brought about feudalism, and the industrial civilization resulting from the industrial revolution produced capitalism with its several subsequent variants. At the same time, new economic systems led to a new social stratification and, characteristically, brought along a new message and new instruments and methods of social communication. Feudal lords were replaced by capitalists and feudal peasants by proletariat. The transformation of feudalism into capitalism concurred with a simultaneous shift from the age of handwriting to the age of the printing press. Nowadays, the post-industrial civilization, a product of the information revolution, is the age of a new communication medium – a digital language which has seen the emergence of a new top stratum of society, *i.e.* so-called "digital netocracy", with "consumtariat" at the very bottom of the social pyramid (Sodergvist, Bard 2006).

Therefore, the question arises: what model of socio-economic system is this new post-industrial civilization going to bring about? The question is all the more important because of the growing disarray in global economic policymaking, which has occurred despite warnings and admonitions offered by intellectuals representing various branches of knowledge, including economics and sociology. At the same time, the adverse effects of the dominance of one (neoliberal) doctrine are starting to surface. Thus, given the complexity of the contemporary world, it does not seem right to adhere to only one model or concept.

Perhaps this is actually where the source of progress lies, as back in 1859 John Stuart Mill wrote: "What has made the European family of nations an improving, instead of a stationary portion of mankind? Not any superior excellence in them, which, when it exists, exists as the effect not as the cause; but their remarkable diversity of character and culture. Individuals, classes, nations, have been extremely unlike one another: they have struck out a great variety of paths, each leading to something valuable; and although at every period those who travelled in different paths have been intolerant of one another, and each would have thought it an excellent thing if all the rest could have been compelled to travel his road, their attempts to thwart each other's development have rarely had any permanent success, and each has in time endured to receive the good which the others have offered". Hence the conclusion that a multiplicity of paths is a source of universal improvement.

When applying economic theories in practice, it is necessary to adjust them to reality. Therefore, different theoretical concepts may be useful under different conditions. There is a reason for the ongoing revival of Keynesianism, as it is an approach "for the hard times of crisis". In economics of complexity there is a distinct trend towards pursuing a diversity of economic approaches and their applications. This view is also shared by Grzegorz Kolodko and by Immanuel Wallerstein, an American sociologist, historian and economist, the author of the world-systems theory. In a book published nearly 10 years ago, *The End of the World as We Know It*, Wallerstein argued that the modern world-system "(...) has entered into terminal crisis and it is unlikely in fifty years" (Kołodko 2008, p. 206; Wallerstein 2004, p. 27). Similar conclusions and warnings were formulated by Alvin Toffler in his futuristic works *Powershift* (1990) and *Future Shock* (1970) (Toffler 1974, 1998; Sztompka 2000).

According to scientist and geographer Jared Diamond, socio-economic policy seems to provide at least a partial answer to his question, namely "how do societies choose to fail or succeed?" (Diamond 2007). Diamond tries to find an answer by analysing the approaches of individual societies and whole civilizations to their natural environment, and arrives at the conclusion that, apart from military or economic causes, it is the depletion of environmental resources which largely contributed to the collapse of many advanced societies (Diamond 2007). But the approach to the natural environment is derived from the economic policy. Unfortunately, economic history provides ample evidence (to be found in various geographical regions and periods) of how costly mistakes in designing the economic system may be and often are (The Economist May 3/2007).

Under conditions of the global crisis and civilizational breakthrough as well as evident symptoms of disorder in the global economic system, the question concerning the optimal economic system becomes particularly significant, not only in countries transforming their political and economic systems, but also in those where the market economy is decades or even centuries old. The economic system is at the same time one of the fundamental factors influencing the quality of government and governance at every level: from the local, to the national, to the supra-national one (Mączyńska 2008, pp. 151-168). Furthermore, the economic system provides a framework for the public sector (Kleer 2006).

Nowadays many believe that the underlying causes of the malfunctioning of the economy can be attributed to the erroneous systemic policy, which almost uncritically embraced the neoliberal doctrine. Characteristically, such opinions are shared also by those who until recently advocated neoliberalism. One of them is Jeffrey Sachs, who argues that "We were trapped between two voluntaristic utopias. One of them sanctifies the market and the other – society. The majority of people were led to believe that the government could not help them, and even if it promised to do so, it would still waste everything. Now much time will pass by the time they realize anew that there can be neither good society nor an efficient economy without a strong state" (J. Żakowski "Polityka" January 10/2009).

Also J. K. Galbraith in his book *The Economics of Innocent Fraud: Truth for Our Time* points to the sources of dysfunctionality inherent in the neoliberal system. He takes note of the discrepancy between reality and "conventional wisdom", and the unprecedented influence of the private sector on the public one, which is hazardous for the economy, entrepreneurship and efficient governance. In addition, Galbraith warns against the power of international corporations and against the shift of power from shareholders and board members to management (Galbraith 2005).

On the other hand, Maciej Bałtowski observes how capitalism is dangerously evolving towards socialism, which brings to mind the argument of Joseph Schumpeter (1942) about the transition of capitalism into socialism (Schumpeter 1995, p. 76). However, as opposed to J. Schumpeter, who said that capitalism was not going to survive and the ongoing transformation of capitalism into socialism was determined not by its failures but by its successes, Bałtowski points out to capitalism's failures. He says that "over the last several dozen years free market capitalism has been evolving towards a system involving certain characteristic features of the socialist economy, even though this peculiar evolution may have been hard to notice at a first glance" (Bałtowski 2009), which is displayed in the "doctrinal foundations of the economic system". At the same time, Bałtowski warns that too much faith had been put in the dogma of global regulation of the economy. He states that certain general conclusions should be drawn from the experience of the socialist economy concerning the way the global regulators function. "First of all they should focus their activity not on substituting the market – which always leads to various adverse effects – but on reducing market failure. If the global regulator is utterly convinced of its wisdom and omnipotence, and does not curb its constructivistic inclinations and excessive anthropological optimism, it will doubtlessly end up in a position similar to the central planner in the socialist economy. The only way out, it seems, is to let the global regulators act in accordance with the logic of the market or 'marktkonform', as it is proposed by the German theory of social market economy" (Bałtowski 2009).

This assumption is all the more important because it refers to the constitutional model of the Polish economy, that is, the social market economy. It is also important because systemic dilemmas affect not only Poland, but the entire European Union, and the whole world. Poland is a good illustration of how difficult it is to find the right solutions for designing an economic system. More than twenty years into Poland's economic transformation (which was initiated in 1989), the issues of the economic and political system have yet to reach a satisfactory solution (Wilczyński 2005, p. 11), even though the constitution of Poland recognizes the social market economy as the official economic system. The Treaty establishing a Constitution for Europe also states that the sustainable development of the European Union is to be based on the social market economy, which was further reiterated by the Lisbon Treaty amending the Treaty on European Union and the Treaty establishing the European Community (Official Journal of the European Union no. C 310, vol. 47, December 16/2004).

In view of the dysfunctions of the political and economic order which have emerged due to the global crisis, the idea of social market economy is becoming even more attractive, as it is founded on ordoliberal theory, which in turn refers to the notion of *ordo*, dating back to the ancient Roman Empire. The essence of the notion lies in designing an order which would suit the human nature and ensure economic sustainability (Pysz 2007, 2008). In ancient Roman philosophy, the Latin term *ordo* was understood as a state of affairs characteristic of a civilized society in which autonomous individuals are free to conduct transactions without any interference, within the framework of universal legal rules (Streit, Wolfgang 1995; Pysz, 2008, p. 35). *Ordo* is traditionally interpreted as standing in opposition to anarchy and chaos, having a normative nature and aiming at a desired state. The current financial crisis has to some extent proven the relevance of social market economy. Characteristically, the crisis hit the mightiest markets of the capitalist world, and primarily the USA and Great Britain. On the other hand, countries with the so-called Nordic economic system, which are using the social market economy in practice, have been less affected.

Although opinions on the social market economy model are quite controversial, analysis of its features indicates that it offers a chance to lay solid foundations for the coherence and sustainability of social and economic development (Nowe Życie Gospodarcze 2007). The social market economic policy is characterized by holism, or comprehensive consideration of the individual components making up the extremely complex structure of the political and economic order (Mączyńska, Pysz 2003). J. Sachs offers a new method of resolving socio-economic problems, which he describes as "clinical economics", but as a matter of fact it reveals very clear references to the concept of the social market economy.

Sachs' clinical economics is indeed a holistic approach (modelled on holistic medicine) combining economic and social aspects (Sachs 2006). Also P. Krugman, a Noble Prize winner in economics, in criticizing the one-sidedness of the neoliberal doctrine underscores the need to apply a holistic approach in forming the economic system, thus indirectly opting for the social market economy (Wilczyński 2008).

However, a prerequisite for the effective implementation of the ordoliberal concept of the social market economy is its adjustment to the unprecedented dynamic changes in terms of technology, society, and economy, including globalization (Sachs 2006).

**5. Summary**

The "punctuated equilibrium" and volatility, so characteristic of the modern-day world, force us to seek new theoretical concepts and solutions with a potential for a symbiosis of economic, social and ecological development. In this respect, economics and economists are to play a very important part. Dynamic changes in the global economy entail a need for a new economic paradigm and call for a more prominent role of economics as a social science. This means that the laws of economics cannot disregard social aspects, and hence the need for a holistic and interdisciplinary approach in economics.

Although the global crisis has intensified and sharpened the debate concerning the new economic paradigm, it is actually the ongoing civilization breakthrough which is the underlying cause of the current developments. The multi-dimensional and extensive changes create an opportunity for the advancement of "complexity economics" and the economics of imperfect knowledge, which implies the elimination of the one-sided doctrinal approach, a departure from the imperative to pursue a universal economic model, and the abandoning of the belief in "one correct solution". The complexity of the ongoing changes makes it necessary to embark on a different, more promising course of action, based on heterogeneity and involving substantial research.

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