

# CIVILIZATION AT THE TURNING POINT ECONOMIC AND SOCIAL DILEMMAS

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## **Abstract**

*Although transformations and technological progress are taking place at an unprecedentedly dynamic rate in the contemporary world, disproportions in development levels and social tensions in the global scale as well as in the local and national one do not ease. This is also true about Poland.*

*The paper discusses this problem starting with the assumption that one of the basic barriers to changes/transformations aimed at balancing social – economic development is maladjustment of the principles of the economic system to the requirements of the new civilization paradigm. The civilization turning point taking place now manifests itself in driving the industrial civilization out by the knowledge and information based civilization, by virtual economy civilization that differs so extremely from its predecessor ruling for over 300 years. Meanwhile, both politicians as well as managers have been trying to solve these problems without sufficiently taking into account modern trends and economic requirements/standards, trends resulting from the civilization at the turning point.*

## **1. Introduction**

One of characteristic features of the contemporary world is on one hand an unprecedented dynamic rate of transformations and technological progress and on the other - an unsustainable economic growth and deepening disproportions in development and social tensions in the world /global scale but also in local/ domestic one. Progress in the economy in many countries does not go hand in hand with social progress and the improvement in the quality of life, what is manifested among others by growing risks and uncertainties. The most spectacular signs of this are increasing unemployment in the world and poverty-stricken regions (with the simultaneous concentration of wealth), as well as degenerations of the relation between the role of the state in individual countries and the power of supranational corporations what is accompanied by rolling

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through the world waves of bankruptcies of enterprises. Growing threats to the natural environment and its balance as well as various different pathologies in the economy, in the society and the politics have been enlarging this list, with conflicts resulting from the civilization division and the extreme differentiation of the world being particularly dangerous<sup>1</sup>.

At the same time it is characteristic that in spite of various undertakings adopted in the global scale aimed at relieving disproportions and degenerations in the economy, to date none country in principle can boast about fully satisfying and long-lasting solutions to these problems. Although at present in the world there are numerous supranational and local programmes aimed at balancing the economic growth, programmes of social responsibility of business, programmes of fighting against the poverty and the unemployment, yet the results are faint and it happens that they bring opposite results to the planned ones. The situation on the labour market is the best example of this where opposing tendencies appear. On one hand, governments of states have been striving in their policies to curb unemployment and stimulate creating new jobs, while on the other, enterprises have been treating redundancies in employment as the basic source of cost reductions and of strengthening their market position what as a matter of fact is facilitated by rapid technological progress that enables the irrepressible increase in productivity. At the same time sharp disproportions in workload are characteristic. A phenomenon of the bipolarity appears on the labour market. The overworked masses of people working excessively have been growing and at the same time more and more persons are completely deprived of work.

It is reflected in the world literature on the subject where the necessity to redefine and to revise some old theories, which have become outdated in the changed and dynamically evolving reality is pointed out. For example, P. Samuelson points out that the theory of comparative costs has become outdated and in turn M. Friedman – an idealistic leader of monetarists and conservatives – has been losing certainty as for the present rightness of his theories admitting that he was wrong and that "treating the money supply as the main purpose and the principle adjusting economic decisions has failed to some extent. I am not so sure whether today I would insist on this view so firmly as I did sometime in the past"<sup>2</sup>. The turning point visible clearly in views of theoreticians also finds

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<sup>1</sup> Toffler, A., *Zmiana władzy. Wiedza, bogactwo i przemoc u progu XXI stulecia*. [Powershift: Knowledge, Wealth and Violence at the Edge of the 21st Century], Powershift, The Zysk i S-ka Publishing Company, Poznań 2003, and Toffler, A. and H., *Budowa nowej cywilizacji. Polityka trzeciej fali*. [Creating a New Civilization. The Politics of the Third Wave], The Zysk i S-ka Publishing Company, Poznań 1996.

<sup>2</sup> *Spowiedź monetarysty*. [Confession of the monetarist] (Interview with M. Friedman), "Forum" of 30.06.2003, p. 26.

expression in publications of such outstanding economists like among others G.S. Becker and J.E. Stiglitz (Noble Prize winners) and J.K. Galbraith<sup>3</sup>.

Generally, in scientific arguments about solutions enabling the relief of tensions and social-economic imbalances they indicate the necessity of redefining the moulding principles of the economic system and the unreliability of the liberal doctrine as the theoretical basis of different conceptions of economic policy in capitalist market economies<sup>4</sup>. In countries of Western Europe, as well as in the USA, a thesis about progressing general erosion of the liberal doctrine has been gaining in popularity<sup>5</sup>. This doctrine has been also criticised in countries undergoing the system transformation. Poland, among others, is an example of this where in spite of earlier dominating and accompanying the transformation almost uncritical fascination for ideas of the liberalism, at present the criticism of this theory has been growing<sup>6</sup>.

Against this background at least three fundamental questions have been arising:

- firstly, a question about fundamental causes of growing economic imbalance and social tensions in both global and local scales including the poverty-stricken regions, (and what is more this has been happening in spite of the unprecedented increase in the productivity);
- secondly, a question about causes of the taking place redefinitions of views about system principles of the market economy;
- thirdly, a question about what shape of an economic system in contemporary conditions would be favourable for relieving undesirable<sup>1</sup> social-economic disproportions and would stimulate a long-lasting, sustainable economic growth.

In this paper I assume that one of fundamental barriers to changes aimed at balancing the economic growth and relieving social tensions is maladjustment of principles of the economic system to requirements of the new civilization

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<sup>3</sup> Galbraith J.K., *Gospodarka niewinnego oszustwa. Prawda naszych czasów*. [The Economics of Innocent Fraud. Truth of our times], MT Biznes, Warsaw 2005 and Stiglitz, J.E., *Globalizacja*. [Globalization], The PWN Scientific Publishing Company, Warsaw 2004.

<sup>4</sup> Mączyńska, E., *Słabnące tempo wzrostu w gospodarce światowej – symposium Rady Strategii Społeczno-Gospodarczej*, [The Slackening Rate of Growth in the World Economy - conference of Council for the Social-Economic Strategy, "Ekonomista" 2003, No. 5, p. 655.

<sup>5</sup> Sadowski, Z., *O ustroju społeczno-gospodarczym*. [About the Social-Economic System] in: *Polski ustrój społeczno-gospodarczy. Jaki kapitalizm?* [Poland's Social-Economic System: What kind of capitalism?], ed J. Mujżel, B. Fiedor, S. Owsiak and E. Mączyńska, Raport [The Report] No. 22, Council for the Social-Economic Strategy at The Council of Ministers, Warsaw 2003.

<sup>6</sup> Fascination with the ideas of liberalism seemed to be quite natural and understandable, first of all, because of the contrast of those ideas with the principles of the previous system of planned economy.

paradigm, to the civilization turning point that is taking place at present and that finds its expression in the fact that the industrial civilization is being supplanted by the knowledge and information based civilization, by the civilization of the virtual economy extremely different from its "ruling" for over 300 years predecessor. An analysis of growing difficulties in counteracting unfavourable social-economic phenomena and the ineffectiveness of conventional solutions induces one to a hypothesis that the causes of this are unconventional and have their roots in crucial civilization transformations. Meanwhile, both politicians and managers have been trying to solve appearing problems not taking into consideration in the sufficient degree (consciously or unwittingly) modern trends and requirements of the economy, trends resulting from the civilization turning point <sup>7</sup>.

## **2. Traditional structures of the economy in conditions of the civilization turning point do not function**

Every civilization has its own model of the economic system, a model of the institutional, organizational and legal infrastructure, and a model of the education, employment, government, family, and consumption policy. The contemporary development of science and technology and the decisive role of information, knowledge and qualifications have created a new development paradigm: the knowledge-based economy (economy based on intellectual potential). Knowledge has become the "universal substitute" and in addition it constitutes a unique, quite different from traditional, source of wealth: *one who sells it still has it* <sup>8</sup>. It creates a large potential of productivity. It is possible at the same time to use knowledge for creating wealth and to accumulate the very knowledge. Contrary to material goods and raw materials knowledge is inexhaustible.

"Before our very eyes the essence of what we call power is changing. The change in the concept of power conceives a vision of future info-wars and shows what the new system of manufacturing wealth will consist in, the basis of which will be individualism, innovation and information. (...) New lines of divisions will appear, far more important: not between the East and the West, but between

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<sup>7</sup> Toffler, A. And H., op.cit., Beck, U., *Spółeczeństwo ryzyka. W drodze do innej nowoczesności*. [The Society of risk. On the road to different modernity], The Scholar Publishing Company, Warsaw 2002, and Rifkin, J., *Koniec pracy. Schyłek siły roboczej na świecie i początek ery postrynkowej* [The End of Work. The Decline of the Global Labour Force and the Dawn of the Post-Market Era], The Dolnośląskie Publishing Company, Wrocław 2003.

<sup>8</sup> Toffler, A. and H., *Budowa nowej cywilizacji. Polityka trzeciej fali*. [Creating a New Civilization. The Politics of the Third Wave], The Zysk i S-ka Publishing Company, Poznań 1996, p. 38.

those who are able to develop "quickly" and those who still are not able to accelerate "<sup>9</sup>.

In conditions of the new development paradigm the property relationships undergo changes what results from the fact that intellectual capital rather than ownership of means of production like in the classic capitalism is of decisive importance. In the process the role of property has been changing. As A. Toffler stresses, its most important form at present - and knowledge constitutes it - is becoming intangible, super-symbolic. Therefore "access" to knowledge and information is becoming the crucial category, with "exclusion" being its opposite.

Since at present intellectual potential is becoming the basic source of the strategic competitive edge, individuals (both legal as well as physical ones) who do not possess it, are doomed to "exclusion". The threat of "exclusion" concerns both individual subjects and entire economies. With reference to natural persons a classic form of exclusion is unemployment. However, enterprises are subject to global competition as well. Turnover in enterprises in the world economy has been growing and has become the arena of settling various kinds of businesses, not only economic ones. According to one of Western investment bankers: "there are two kinds of enterprises: customers and goals"<sup>10</sup>. Mergers and acquisitions of enterprises are the order of the day, and not all takeovers are always friendly but also hostile when these companies become a target "to shoot at".

In such conditions the scale of uncertainty and risk has been escalating what is accompanied by the ambivalence in the assessment of contemporary technological, economic and social transformations, including the mental ones. A. Toffler presents it very evocatively: "however, when two or even three great waves of transitions are rolling through the community and none of them is clearly dominating, the image of the future is cracked. (...) Traditional political dictionaries are becoming useless and it is very hard now to distinguish adherents of progress from reactionaries, friends from enemies"<sup>11</sup>. At the same time A. Toffler points out how important it is to distinguish transitions which the new wave of civilization is carrying from the ones that are connected with the wave swimming away and constitute only prolongation of the former industrial civilization. Such distinction allows one to discern a "concealed order" in

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<sup>9</sup> Toffler, A., *Zmiana władzy. Wiedza, bogactwo i przemoc u progu XXI stulecia*. [Powershift: Knowledge, Wealth and Violence at the Edge of the 21st Century], Powershift, The Zysk i S-ka Publishing Company, Poznań 2003 - .synteza

<http://www.albertus.pl/?d=product&id=561>

<sup>10</sup> Hooke, J.C., *Fuzje i przejęcia. Jak skutecznie prowadzić transakcję*. [Mergers and Acquisitions. A Practical Guide to Doing the Deal], The K.E. Liber Publishing Company, Warsaw 1998, p.285.

<sup>11</sup> Toffler, A., and H., *Fale przyszłości* [Waves of Future], p. 51 and following.

transitions/transformations. "The very understanding of the fact that here a fierce fight is taking place amongst those who want to keep the industrialism and those who want to change it is becoming the tool of transforming the world"<sup>12</sup>.

In addition, a lot of phenomena point out that the ineffectiveness of attempted undertakings aimed at relieving economic disproportions and social tensions results from the defence of highly favourable at present positions occupied in the world economy by some business circles and corporations. "On one hand, therefore, we have fighters of the industrial past, on the other, more and more numerous millions of those who comprehend that the most urgent problems cannot be solved within the framework of the industrial system"<sup>13</sup>. The aggressive conflict of interests between adherents of the old order and adherents of transformations has been delaying the system transitions essential for the turning point, including economic, political and institutional ones.

In Poland the threat of conflicts is enhanced by the fact that the civilization and global causes of the turbulence in the economy overlap with factors resulting from the system transformation of the economy that has not been completed yet and problems connected with integration with the European Union. Because at present Poland is subject at the same time to a kind of three turning points: firstly, civilization, secondly, system transformation and thirdly, integration. Overlapping of each of these turning points results in the complex of deeply turbulent phenomena, the control of which comes across considerable problems, all the more, that substantial and growing disproportions in the regional development accompany these rapid transformations. It is reflected among others in the fact that the old and new "civilization waves" go backwards, forwards and sideways (clash with each other including the agrarian, industrial and post-industrial ones)<sup>14</sup>.

The unprecedented high pace of transformations causes that the theory does not often fit in with the practice, whereas experience from the past is not only insufficient but the ability to forget, the ability to get rid of old habits and models becomes the basic ability. Simultaneously, the ignorance of one's own ignorance becomes the biggest barrier to development. Here Confucius' thought is very compatible to the situation: "to know that you know what you know and to know that you don't know what you don't know - this is true knowledge"<sup>15</sup>□.

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<sup>12</sup> Ibidem

<sup>13</sup> Ibidem

<sup>14</sup> Thurow, L.C., *Przyszłość kapitalizmu*, Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World, The Dolnośląskie Publishing Company, Wrocław 1999, pp. 29 and 30: "When companies in which the intellectual potential dominates try to introduce physically absent owners, they fail. <<Rainmakers>> (people whose activities bring in money) simply take their qualifications elsewhere. The capitalist is not able to give them what they want".

<sup>15</sup> Quotation from *Myśli o biznesie. Maksymy, sentencje, aforyzmy, przysłowia, paradoksy*, [Thoughts about business. Maxims, Sentences, Aphorisms, Proverbs, Paradoxes], chosen and ed.

And so the ambivalence concerns knowledge. In conditions of the new development paradigm knowledge is everything, but at the same time as a result of sudden transformations – knowledge becomes outdated/obsolete unprecedentedly fast – it easily becomes nothing<sup>16</sup>. As the life cycles of knowledge are becoming shorter and shorter, human life is growing longer and longer. Hence, knowledge is also becoming less and less democratic, it extremely diversifies subjects and their chances. The new civilization wave "is sinking and flooding" the unprepared whose number is constantly growing. It provides work to the highly qualified persons, condemning the others to unemployment. In addition, paradoxically, in spite of the huge and growing productivity potential, from a few years in the developed economies of the world a slow down in the economic growth has been taking place, and in addition - against current theories - an increase in employment does not accompany the increase in dynamics of economic growth.

The fact that the globalisation of the economy does not go hand in hand with social and mental transformations what is reflected in growing disproportions, in the inequality and in local, global, cultural, religious and other conflicts bound with it, creates favourable conditions for these disproportions. It is accompanied by changeability and complexity and in consequence "softening" of the law. Here a crisis of democratic systems that are adjusted to the industrial civilization and that are not fully adapted to the new civilization is clearly noticeable. Although it is assumed that the free market is a basis and a tool thanks to which consumers learn and "practise" rationality, yet in conditions of globalisation this effect is considerably cushioned and sometimes eliminated. The exaggerated market confrontational attitudes of subjects can cause undesirable phenomena and risks, especially, that "the border between rivalry and destruction is almost invisible"<sup>17</sup>. *The invisible hand of the market is destroyed by the "invisible hand of globalisation" - the invisible hand of the*

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by T. Sztucki, The Difin Publishing Company, Warsaw 2000, p. 78. In this context the sentence "Každy z nas jest ignorantem, tyle że w różnych dziedzinach wiedzy" [Each of us is an ignoramus only in different fields of knowledge] acquires a new meaning (Jose Ortega y Gasset).

[http://pl.wikiquote.org/wiki/Jose\\_Ortega\\_y\\_Gasset](http://pl.wikiquote.org/wiki/Jose_Ortega_y_Gasset)

<sup>16</sup> It was A. Mickiewicz who pointed out that "nauka prędko gnije" [knowledge rots quickly], Dziady, Part II and III, See: *Cytaty mądre i zabawne*. [Clever and funny quotations], chosen by H. Markiewicz, Wydawnictwo Literackie [The Literary Publishing Company], Cracow 2001, p. 179.

<sup>17</sup> A. Morita of Sony Corporation, the author of this statement, stresses that "the conviction of Americans about the contradiction of these two phenomena also moulds the reality. Those who are granted help "soften" and become chronic patients and parasites of taxpayers". See: Hampden-Turner, C., Trompenaars A., *Siedem kultur kapitalizmu*. [Seven Cultures of Capitalism], The ABC Publishing House, Warsaw 1998, p. 122.

*market becomes the "dead hand of the market"* <sup>18</sup>. These are the very reasons why it is extremely difficult to assess transformations unambiguously.

Cracks appearing under the impact of the civilization turning point on the traditional, adapted for the industrial civilization, solutions have been provoking reflection on the model of an economic system. The change in the system indicates a change in power at the same time. In the world of business and politics a fierce fight for power is under way, a fight for holding the areas of power outlined, however, by the passing industrial civilization. Its financial image in comparison with the image of a modern, but often incomprehensible to many people, virtual economy still seems attractive. Adherents of the industrial civilization stress its transparency, its irreplaceability and its vitality (what is defined as the "lascivious materialism"). Transformations are delayed by conflicts between adherents of the old and the new civilization. "Every country which deliberately chooses the road of the lascivious materialism is condemning itself to the role of Bangladesh of the twenty first century"<sup>19</sup>.

### 3. Redefinitions in theory and practice

The turning point of the civilization taking place at present and the proceeding globalisation make the need of adapting a new approach towards the issue of moulding the economic system more and more important, especially that in economy the areas and competences where decisions are made have been clearly changing. In a way, it denotes the end of the economic independence of the state. "Government institutions should be adequate to the economic structure, to the information system and to other aspects of the civilization. At present a fundamental decentralization of production and business activity has been taking place, what economists seem not to discern. To tell the truth, the state economy is no longer the basic unit of economic activity "<sup>20</sup>. The decisive role of knowledge in moulding the development and the following it change in the role of property induce one to redefine the capitalist system <sup>21</sup>. In place of the traditional capitalism something is coming, the shape of which is not fully known well yet, something that we name differently – as global capitalism, the third wave capitalism or "post-capitalism".

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<sup>18</sup> Staniszkis, J., *Władza globalizacji*. [The Power of Globalization], The Scholar Publishing Company, Warsaw 2003, p.17.

<sup>19</sup> Toffler, A., and H., op.cit.

<sup>20</sup> Toffler, A., *Trzecia fala*. [The Third Wave], PIW [The State Publishing Institute], Warsaw 1997, p. 643.

<sup>21</sup> „How can the capitalist system exist in the era of intellectual potential if this potential cannot be possessed as property?” Thurow, L.,C., op.cit., pp. 29 and 30.



Experience of many countries convinces about the need to take into consideration the influence of civilization transformations upon the shape of the economic system and the economic infrastructure. Lack of cohesion between of civilization transformations and system solutions cause pathology in the functioning of economy and social relations. Frequently, a gigantic institutional chaos and worsening phenomena of corruption and active rent seeking accompany it, the consequence of which is decreasing prosperity (futile loss of prosperity) and rise in prices<sup>22</sup>. "A former state with the distinct centre and hierarchically tidied up, logically uniform procedures does not exist any longer. It has been transformed into a network state, with webs of connections, extending out themselves often beyond nominal borders and leaning towards outside decision making centres"<sup>23</sup>. At the same time a border line between the state and the market has been fading away. At present not only enterprises but also states have been competing with each other, above all through the system of moulding adjustments in the economy, in legal regulations, on the labour market and in the information infrastructure. It requires the steerability i.e. the concentration of the potential of the power of the state on achieving assumed goals and that in turn requires "on one hand, maximum harmonization of <<power>>, <<governing>> and <<management>> whereas, on the second hand, it requires appreciating the importance of structural authority and the threat of the structural violence"<sup>24</sup>.

The information infrastructure is particularly important for the market success, especially in the light of the theory of the asymmetrical information and formulated on its basis by J.E. Stiglitz and A. Weiss the concept of credit rationing which as a matter of fact corresponds to J.K Galbraith's thesis of 1957 about the credit discrimination against small and medium sized enterprises. Bankruptcies of enterprises may be the extreme effect of this. Neither large corporations are free from the threat of bankruptcy, all the more so because sometimes they are characterized by the pathological pursuit of wealth and power<sup>25</sup>. Deep transformations are always burdened with great risks, especially

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<sup>22</sup> S. Sztaba writes about this in his book *Nasilenie zjawiska aktywnego poszukiwania renty w krajach postkomunistycznych na tle wybranych krajów rozwiniętych*. [Increasing Phenomenon of Active Rent Seeking in Post-Communist Countries against the background of chosen Advanced Countries], Szkoła Główna Handlowa w Warszawie [Warsaw School of Economics], Warsaw, 2004.

<sup>23</sup> Staniszkis, J., op.cit., p. 17.

<sup>24</sup> According to J. Staniszkis, power means the ability to "become a cause" what happens by having a direct impact (relation power) or by adequate structuring of activity (structural power). Steerability means the ability to achieve goals and management means enforcing behaviours that comply with accepted rules, and governing means defining those rules. Ibidem, p. 188.

<sup>25</sup> Bakan, J., *Korporacja. Patologiczna pogoń za zyskiem i władzą*. [The Corporation. Pathological pursuit of profit and power], Lepszy Świat [Better World], Warsaw 2006.

when one takes into consideration the increasing easiness in conditions of globalisation of the proliferation of critical situations and of the "virus of bankruptcy". Amongst main factors of bankruptcies the following are listed in the economics literature: firstly, the factors connected with the rate of growth and development, secondly, cultural and civilisation factors and thirdly, factors of managing knowledge and information <sup>26</sup>. In conditions of the information civilization, this latter factor has been playing the ever more important role, although at the same time a number of barriers of different character, also mental ones, appear in rationalizing the management of knowledge, including the knowledge about risks. Because the flow of the very knowledge encounters a number of barriers and enterprises lose potential revenues when employees and managers do not share their knowledge <sup>27</sup>.

Disturbances appearing in the global and local scales and disproportions in the social and economic development induce one to ask the question what model of a social-economic system would be proper in order to relieve these problems.

#### 4. System dilemmas

In discussions aimed at looking for the best possible model of the economic system the well known truth becomes clearly evident that there is nothing more deceptive than the faith in simple recipes / solutions. This truth has been confirmed among other countries in Poland. Inveterate and present disputes on the model of an economic system show risks resulting from accepted here generalizations and simplifications. A. Koźmiński warns against four quite standard traps: of constructivism, technocracy, determinism and the trap of great projects and general solutions <sup>28</sup>. The practice extremely pointedly confirms this very accurate observation. Discussions about system solutions are often accompanied by the deceptive conviction that it is possible to build up social-economic systems according to foreordained and detailed projects (the trap of

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<sup>26</sup> See Simons, R., *Czy wiesz jakie duże ryzyko ukryte jest w twojej firmie?* [How risky is your company?], "Harvard Business Review Poland", April 2005 and Simons, R., *How Risky is Your Company?*, "Harvard Review Business", May-June 1999.

<sup>27</sup> For example, C. Kinsey Goman of Kinsey Consulting Services in Berkley (USA), enumerates five reasons that make employees reluctant to share knowledge: 1) belief that knowledge is power and keeping it to yourself enables one to strengthen his/her competitive edge, 2) uncertainty about the real value of one's knowledge, 3) mutual distrust, 4) fear of negative consequences of revealing the defined knowledge (eg.: changing the terms of employment), 5) keeping by the management their intentions and their own knowledge on some topics secret. See [www.ckg.com](http://www.ckg.com).

<sup>28</sup> Koźmiński, A., *Jaki kapitalizm? Modelowe trendy i kierunki polityki*. [What kind of capitalism? Model Trends and Directions of the Politics] in: *Polski ustrój społeczno-gospodarczy. Jaki kapitalizm?* [Poland's Social-Economic System. What kind of capitalism?],..., op.cit.

constructivism) and in isolation from the social environment (the trap of technocracy). The assumption about the conformity of effects with intentions is also deceptive (the trap of determinism), and in addition the faith in the existence of general solutions is unfounded. The direct implementation of solutions characteristic of the developed market economy countries to the Polish economy brought about beside favourable phenomena (such as among other things restoring the balance on the market of goods and services and on the money market) also a sequence of undesirable occurrences, amongst which the most spectacular is a high rate of unemployment. Current forms of the fight against unemployment and the social politics would be perhaps legitimate for the epoch of the industrial development, the industrialization, but they stopped being effective when we are dealing with creeping dis-industrialisation. The maladjustment in the social-economic politics of system solutions to challenges of the present results in many negative phenomena, among other things in widely described in literature syndromes of " the tragedy of common grazing land" <sup>29</sup>. Unfortunately syndromes of " the tragedy of common grazing land " appear frequently in the politics, then the public interest is being moved away to further plans, in favour of interests of narrow business groups of politicians, or other *lobbies*.

Current patterns of the economic system create a system triad described in detail in the economics literature that embraces: the laissez-faire Anglo-American capitalism, the European model of the social market economy and the Asian capitalism <sup>30</sup>. Each of these models has its strengths and weaknesses. A relatively low level of democracy is recognised as the essential weakness of Asian models, on the other hand, the European model is accused of excessive interventionism, whereas the Anglo-American model is criticised for being

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<sup>29</sup> It is the mechanism of abusing free goods and social benefits identified by G. Hardin. In every society there are people who will drive out so many cows to pasture that they will inevitably turn it into wasteland. There are numerous examples of such free pastures, the Internet is one of the latest examples. Bearing in mind all advantages of the Internet, it is a tool that may be abused in a way that is harmful for the society. See: Hardin, G., The Tragedy of the Commons, "Science" 1968, No. 162, pp. 1243 – 1248.

<sup>30</sup> Compare, among others:

Albert, M., *Kapitalizm kontra kapitalizm* [Capitalism versus Capitalism], The Znak-Signum Publishing Company, Cracow 1994; Koźmiński, A., *Jaki kapitalizm? Modelowe trendy i kierunki polityki*. [What kind of capitalism? Model Trends and Directions of the Politics] in: *Polski ustrój społeczno-gospodarczy. Jaki kapitalizm?* [Poland's Social-Economic System. What kind of capitalism?] ..., op.cit.; Kieżun, W., *Pięć lat seminarium Krytycznej Teorii Organizacji. Analiza dorobku i perspektywy rozwoju*. [Five years of the seminar of the Critical Theory of the Organization. The Analysis of Achievements and Perspectives of Development], "Master of Administration Business". Pismo Wyższej Szkoły Przedsiębiorczości i Zarządzania im. L. Koźmińskiego i Międzynarodowej Szkoły Zarządzania, 2002, No. 1, and numerous publications by G.W. Kołodko.

excessively confrontational<sup>31</sup>. Individual success measured up with the level and the structure of consumption is recognised as the basic and principal value in the Anglo-American model. By contrast, the European model is based on the idea of "social solidarity", whereas the principal value of the Asian model is stimulating economic growth<sup>32</sup>. As F. Fukuyama stresses the liberal democracy is based on two principles - freedom and equality. The USA recognize the primacy of freedom, European systems recognize the primacy of solidarity, but all the same every country needs an effective national apparatus although it is hard to decide whether there exists an optimal scope of interventionism<sup>33</sup>.

Moulding the economic order seems to exceed to an ever higher degree the scope of real possibilities of economic policies in the scale of individual national economies<sup>34</sup>. As a result of the turning point of civilization new challenges in terms of quality arise, problems which per force could not be familiar to authors of ordoliberalism and of the conception of social market economy. In new conditions of civilization, in conditions of globalization and integration, economic systems also become global. U. Beck presents the ambivalence of contemporary transformations very evocatively: "We have been abolishing internal borders within the European Union, but we have been also strengthening external borders desperately. We have been trying to separate ourselves from the world so that we ensure security for ourselves and protect our market - especially the labour market. The former and the latter are simply funny (the author's emphasis). True dangers easily interpenetrate borders. And if the Indian, the Russian or the Chinese wants to get to our labour market very much, s/he can do it through the Internet after all".<sup>35</sup>

## 5. Conclusion: the Need for a System of Balance

Growing disproportions in the contemporary world, increasing social tensions and expanding areas of the lack of balance point to the need of system

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<sup>31</sup> Compare Hampde-Turner, C., A. Trompenaars, op.cit., p. 122.

<sup>32</sup> Compare Kieżun, W., op.cit.

<sup>33</sup> Fukuyama, F., *Koniec historii*, [The End of History], The Zysk i S-ka Publishing Company, Poznań 1996.

<sup>34</sup> Compare: Pysz, P., *Państwo i ład gospodarczy w ordoliberalnej koncepcji polityki gospodarczej* [State and the economic governance in the ordoliberal conception of economic policy], in: *Ład gospodarczy jako efekt działalności państwa w społecznej gospodarce rynkowej* [The Economic Governance as the effect of the state activities in the social market economy], Warsaw, PTE, 2005 and Kaczmarek T., Pysz, P., *Ludwig Erhard i społeczna gospodarka rynkowa*. [Ludwig Erhard and the social market economy], Instytut Studiów Politycznych Polskiej Akademii Nauk [The Institute of Political Studies of the Polish Academy of Sciences], Warsaw 2004, pp. 101 – 154.

<sup>35</sup> Compare: *W szponach ryzyka* [In the Grip of Risk] (J. Żakowski's interview with U. Beck), "Polityka" 2005, No. 25, p. 7.

solutions enabling long lasting and sustainable development characterized by simultaneous economic, social and ecological progress. At the same time a question is arising who is supposed to be the subject of the politics of moulding the economic order and a question about the reach of such a politics. Disproportions in the world economy and social tensions clearly point out that the model of the economic system based only on one - economic - "pillar", has ceased being sufficient. It is more and more clearly obvious that social and ecological issues need to be taken into consideration.

Against this background ordoliberal ideas of social market economy demonstrate clearly its advantages. The model of the social market economy is the model of the economic system constitutionally recognised in Poland. Even though opinions on this theme are quite controversial the analysis of features of this model indicate that in conditions of stormy social-economic transformations taking place at present this model gives chances of creating solid bases of cohesion for the social and economic development. However, in order to implement in practice the conception of social market economy effectively, it is *conditio sine qua non* to adapt it to contemporary, unprecedentedly dynamic economic transformations. These rapid transformations reinforce processes of globalisation in the world economy and that in turn causes, as a result of interpenetration of various system solutions that function in individual countries, that models of the economic system also become global. They are aimed at linking the competition order and the economic freedom with the social order and owing to this fact they may constitute an effective tool of relieving social and economic tensions.

Referring to the role of the state in the economy, ordoliberals warned both against mistakes of doctrinairism(i.e. of holding on to principles - of "forming and adjusting principles" - irrespective of existing social-economic conditions) as well as against the mistake of the lack of principles <sup>36</sup>□. Principles orientated politics that is simultaneously adapted to limitations resulting from social-economic conditionings is the secret/condition of the effective economic policy. It is of special importance and it is becoming unusually difficult in conditions of changes in the civilization paradigm. In such conditions disputes on the superiority of one economic system over another one become rather of secondary importance. For if one recognizes that processes of interpenetrating of system models are in conditions of globalization inevitable, it is legitimate not to juxtapose models against each other but to seek solutions that would, first of all, make this interpenetration oriented at the optimization of the economic and social usefulness, i.e. the long-lasting, sustainable development, in the local and global scales. However, it requires that economic and social goals are

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<sup>36</sup> Eucken, W., Grundsätze der Wirtschaftspolitik, Hrsg. v. E. Eucken und K.P. Hensel, Tübingen 1990, pp. 250-253. Compare: Pysz, P., Państwo..., op.cit.

harmonized in an appropriate way. The lack of such harmony, the lack of the holistic approach results in weakening the economic dynamism and social conflicts, also in the most advanced countries. The new civilization requires both strengthening and supporting creativity and individualism, hence it also requires recognition not only for the "arguments of the majority" typical of democracies, but also recognition for the "arguments of the minority" what reduces the risk of social exclusion and makes the better use of the social potential possible (finally, after all, everything comes down to us as human beings/ individuals) <sup>37</sup>. It constitutes the basis of development of the civil society and at the same time it requires dividing areas of decisions, taking into consideration that decisions should be divided into local, domestic and supranational ones. According to A. and H. Toffler "transferring decisions to the higher than the national state stage does not only open the possibility of effective dealing with problems which are considered to be the most difficult and explosive in our times, but at the same time it relieves blocked state centres" <sup>38</sup>.

In the recently published book entitled *The End of poverty. Economic Possibilities for our Time*, its author, J. Sachs offers the method of solving social-economic problems which he describes as "clinical" economics <sup>39</sup>. Ideas known earlier from the conception of social market economy are clearly recognizable in it. For clinical economics - similarly as the conception of social market economy – suggests a holistic approach to solving social and economic problems, linking economic and social aspects. This approach - as J. Sachs underlines - is modelled on holistic medicine. One can even find similarity of ideas between the title of J. Sachs' book *The End of Poverty...* and the title of L. Erhard's book, the co-originator of the conception of social market economy, *Prosperity for All* <sup>40</sup>. It is worthwhile noticing that J. Sachs seems to revise his earlier views, pointing out to the illusory character of the market in solving problems facing the world, including eradication of poverty-stricken regions. As he questions the principle that "the rising tide is raising all boats", he admits that the increase in wealth in some countries does not always contribute to relieving problems of poverty in other countries.

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<sup>37</sup> Sachs, J., *Koniec z nędzy. Zadanie dla naszego pokolenia* [The End of Poverty. Economic Possibilities for our Time], The PWN Scientific Publishing Company, Warsaw 2006.

<sup>38</sup> Toffler A., and H., op.cit., p. 222. The authors point out that "political decentralisation as such does not guarantee democracy: cases of local very annoying tyranny are possible, and local politicians happen to be much more corrupted than their opposite numbers at the state level".

<sup>39</sup> Sachs, J., op.cit.

<sup>40</sup> Erhard *Wohlstand für Alle*, 1. Auflage: Februar 1957, Econ Verlag Dusseldorf/Wien.

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