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Narodowy Bank Polski

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Information on the debate:

„The Challenges for Economists During Global Crisis”

which took place on the 22nd of April 2010 at the

Polish Economic Society headquarters at Nowy Świat 49 in Warsaw

The introduction to the debate was made by:

Prof. Marian Gorynia, Poznan University of Economics

Prof. Barbara Liberda, Warsaw University

Prof. Tomasz Gruszecki, Catholic University of Lublin

The debate was led by : Prof. Stanisław Rudolf, Vice-President of the Polish Economic Society

Prof. M. Gorynia said that we should not blame economists for crises, at least not only economists. The science of economics plays three functions: cognitive, normative (practical), and prognostic. Only the first function is of strictly economic character, the remaining two are affected by other factors (psychological, sociological, political etc.). Public expectations towards economics are often excessive because people do not understand the role of economics and its limitations. One may formulate three forecasts on implications of crisis on economics. According the first forecast the crisis will not noticeably affect the state of economic research. According to the second forecast the evolution of economics will follow the trajectory set out in the second half of the 1990s. The third forecast predicts that economics will undergo changes but of an evolutionary character and the rate of changes will be comparable to that of the last ten years. One may formulate two direct and two indirect challenges. The first involves striving for

construction of better theories and improvement of society's economic consciousness. The indirect challenges involve better economic policy and better management of all components of economy. The economic crises will not decrease the usefulness of economics.

At the beginning Prof. B. Liberda said that most issues, including research, are of interdisciplinary character. To conduct good research it is necessary to have good data. The notion of welfare should be appropriately defined. The definition cannot be limited to personal income and must involve such components like human capital, health, education, security, social relations and social capital. Traditional indicators do not allow for measuring social or economic inequalities, do not account for migration, necessity to take several jobs at the same time, etc. All this demonstrate the need for interdisciplinary research hence the need to collect new type of data. This is a challenge for statistic offices which should keep so-called parallel accounts on human and natural resources or the so-called insurance property. The so-called generation accounts should also be kept, that is accounts in the generation scale, recording property of particular generations in the sense of whole-life charges and whole-life advantages.

Prof. T. Gruszecki said at the beginning that the crisis turned out particularly severe for Anglo-Saxon economy. Affected households incurred immense losses and are compelled to give indebted houses to the banks or rent flats. The crisis made economists aware of finance and economics drawing apart. The activities of the financial sector turned out to be in opposition with traditional economics and with a common sense as well. We are observing excessive growth of financial sector that takes over an immense part of corporation profits. The crisis made economists return to the debate on money, the theory of money, prospects for dollar etc. Everybody is aware that the USA will sooner or later go bankrupt because its debt will never be paid of. In 2020 the debt will amount to US\$ 20 -24 trillion. The whole world is becoming indebted and according to different sources this amounts to US\$ 600 – 1400 trillion. This is the overhang of the similar magnitude that the Polish Prime Minister Balcerowicz had to face.

Over the debate it was stressed that crisis is not only an economic phenomenon but social and political as well. The excessive indebtedness is caused by consumption pressure to which the governments of the United States and other countries gave in. This has been confirmed by the fact that it is not a global crisis since it affects exclusively economies of highly developed countries. At the same time the countries of the Far East develop at an annual rate of 5-6 per cent. The economists will not solve these problems and we must expect global economic meltdown in

8, 10, 15 years. The current crisis should be a lesson in humility for economists. We are unable to make the right diagnosis and consequently provide the good therapy. The indebtedness should not be considered in terms of figures but in relation to the GDP. The debt is not to be paid off, it may only be decreased in relation to the GDP through the fast growth of the latter.