

Truth, Errors and Lies

Interview with Professor Grzegorz W. Kolodko



In his book, *Truth, Error and Lies: Politics and Economics in a Volatile World*, Professor Grzegorz W. Kolodko, one of the world's leading authorities on economics and development policy and a key architect of Poland's successful economic reforms, applies his far-reaching knowledge to the past and future of the world economy, introducing a framework for understanding our global situation that transcends any single discipline or paradigm.

He propels his readers through territories, centuries, and disciplines in order to make sense of recent and current global issues and offers sensible and practical guidance to overcome the errors of the past, and move into an improved future. In this interview, he explains his heterodox approach to life and the essential need to separate truth from untruth and errors from lies.

About Professor Grzegorz W. Kolodko



Intellectual, politician, a key architect of Polish reforms and a renowned expert on economic development. Author of numerous books and research papers published in 25 languages. While Deputy Prime Minister and Minister of Finance (1994-97) he led Poland to the OECD.

He played an important role in Poland's integration with the European Union while holding the same positions in 2002-03. He is Director of TIGER – Transformation, Integration and Globalization Economic Research at Kozminski University in Warsaw. He is a marathon runner and globetrotter. www.volatileworld.net
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William R. Brand, translator of *Truth, Errors, and Lies*: This is an exceptionally wide-ranging book that looks far into the past and the future, taking a global view, in the geographic and cultural sense, of economic development, where we are today and where we could be heading. What is it in your own background and experience that led you to confront the challenge of telling such a big story?

Grzegorz W. Kolodko: When I asked someone whose judgment I rely on about what I should write next, the reply was: "Tell people why things are as they are." At first this struck me as trivial, but then I realized it was the most difficult challenge I'd ever been given. What is the situation around us—in our family, workplace, country, and world, seen from economic, cultural, social, and political viewpoints—really like? And why? Why has the world changed so much? Most importantly, how will it keep changing into the future? I'm fascinated by where the world is going, but this is impossible to explain without knowing where we are at the moment. In turn we can't explain the present without knowing where we come from. Therefore I regard myself as a traveller in four dimensions. I try to take my reader on a journey of the imagination deep into the past, and into the foreseeable future.

So you don't see yourself as an ivory-tower intellectual?

My books and research articles have been published in 25 languages in over 40 countries. Some of my theoretical contributions—even the ones that many of my academic peers characterize as "heterodox," which I treat as a compliment—have been well received. However, I've also had the chance to try my hand as a policy-maker. Perhaps because I was lucky to be in the right place at the right time, things turned out pretty well during my four stints as Finance Minister of

Poland, and as Deputy Prime Minister. I was at the epicentre of the great systemic transformation of the last two decades. I have advised other emerging markets in Eastern Europe, Russia, China, and Vietnam, and made working visits to the United Nations, the World Bank, and the IMF, where they asked for my advice. And I travel. As the Polish proverb goes, I've eaten bread—and not only bread—in more than one kitchen. I have explored almost 150 countries, getting as close as I could to the lives that people lead. These journeys were just as intellectually provocative as my scientific research and political activity. The three perspectives of interdisciplinary social theory, making economic and political policy, and extensive travel have given me a view of this volatile world that some people are kind enough to refer to as unique.

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That label "heterodox" is intriguing. What makes your views heterodox?

The so-called common wisdom of the economic mainstream doesn't fit real life. Life is far more complex, yet still explainable. Orthodox thinking is based on "assumptions"—one of the most frequent terms in economic models. My heterodox reasoning is based on the observation of reality.

Things happen the way they do because many things happen at the same time. There is always—always, I repeat—a concrete, specific coincidence or overlapping of factors that make something happen or set a process in motion. To understand these multiple factors, you must observe them through various intellectual windows or from various perspectives—Keynesian, monetarist, neo-institutional, futurological. You have to know how to move, that is to think, in a multi-track way. It's difficult but exciting.

A heterodox scholar is not closed in by one set of ideas and methodology, not a slave to any a priori doctrine or orthodox dogma. "Heterodox" implies a non-conventional progressive approach. In this world of the complex interdependence of culture, politics, economy, finance, and the environment, being orthodox is a waste of time. It can be a good in religion (although I'm not sure it always is), but it's utterly erroneous in contemporary social sciences. The future belongs to heterodoxy.

We are living in what most people think of as times of economic crisis, and there are dozens of studies by respected economists offering diagnoses and suggesting cures. What makes your book different from the others?

I like to say that economics and the social sciences ought to be as simple as possible, but no simpler. In this book I have tried to approach these issues in a scientific-model-shaped way that is nevertheless grounded in concrete, comprehensible realities—a complexity of is-

ssues combined with a simplicity of explanations. I point out the interaction between culture and politics, technology and the economy, the environment and business, money and happiness, the past and the future, America and China, wisdom and stupidity, strategy and chaos, Europe and Africa, religion and competitiveness. The feedback and causal relations between these events and processes are what's fascinating in our interdependent world.

The original Polish version of this book was a bestseller, and it has already been published in countries like China and Russia—where you frequently lecture, just as you teach and lecture at leading American universities and institutions. Does the American perspective on the present situation differ from the way they see things in Europe, Russia, or China?

In China, more than a few people see the USA as a threat. And the other way around. Both Chinese and Russian economists believe that the state has responsibilities. Aside from a few naïve market fundamentalists, they expect the government to be active in economic and social matters and expect much more from the state than their Western colleagues. In China or Russia they blame high unemployment on government policy and have higher expectations that the government will do something to fight it.

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This book is titled Truth, Errors, and Lies. In a nutshell, what are these errors and lies?

When you watch TV or read a newspaper and come across someone making an assertion you're sure is untrue, ask yourself: are they in error, or deliberately lying? It's the same whether they're an ignoramus or a Harvard professor, a dictator running a Central Asian emerging market or the governor of an American state, a journalistic apologist for a one-party regime or a columnist from a respected newspaper in a democratic country.

If they're mistaken, it's a pity, especially among professionals. Yet we can still discuss things in a sensible way. People can commit errors in the public arena because they don't know all the underlying facts, or draw the wrong conclusions from the facts through illogical reasoning. This is forgivable; to err is human.

If they're lying, we have a different problem. Why do politicians, along with economists, ecologists, sociologists, political scientists—and market analysts—lie? Sometimes it's for ideological or dogmatic reasons but much more often it's because they're lobbying for a special interest group, even if they don't say so. In short: they lie for ideology or they lie to collect a fee. Lies like this cannot be forgiven.

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instance, reduce unemployment?

I'm afraid that the United States is not taking advantage of the aftermath of crisis to put the development process on the right track. American cohabitation—Democrats in the White House and a Republican majority in the House of Representatives—doesn't make necessary structural reforms, re-institutionalization, or re-regulation any easier. On the contrary. But beyond the two- or four-year electoral cycle, on the scale of decades, the country needs not just commitment to the right policies and regulatory environment, but also changes to the triangle of values, institutions, and policies in ways I describe in my book. This must happen in America as well as in other countries. The alternative is failure. The USA can continue to be the great success story, but not if it sticks to the erroneous neoliberal (or, in American jargon, neoconservative) policies of the last two or three decades. In such serious times, thinking in terms of parties—any kind of "party"—is an unaffordable luxury. This is the time to be progressive and pragmatic, both domestically and globally.

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For quite a few years, and especially since 2008, we have been hearing talk of decline. Do you think that people in, let us say, 2030 will be looking back on the good old days of 2011, or will they rather scratch their heads about all the mistakes we were making? Can you identify key decisions that could determine whether the coming decades are as good as they could be?

Within ten or twenty years there could be an Even Grander Crisis, to use the phrase I've coined in Truth, Errors, and Lies. This could happen if orders come from the bridge to "stay the free market course and ignore the state." It may happen if there's another worldwide financial crisis, perhaps originating in China or sparked off by a stupid currency war, conceivably coinciding with a climate crisis and the loss of control over migration from countries that remain poor. Not to mention the jokers in the pack like nuclear terrorism. Such events, including even the nastiest ones, can occur simultaneously. If they do, we'll be in dire straits and 2011 will look wonderful in hindsight.

But there is a positive alternative to such a bleak scenario: new pragmatism and more balanced planetary progress. After two decades of equitable growth and sustained development, the world of 2030 could breathe, work and walk forward more easily, in which case 2011 will be remembered as one more year in the regrettable past.

So, why not change course? American actions are crucial, but to an increasing degree things depend on China and other big emerging markets, on the decisions and policy coordination of the G-2, G-8, G-20, and the G-193. But first things first. We need a theory to lay the ground for practice. Do we have one? I'm sharing my proposals. Second, we need intellectual, political, and business leaders capable of acting pro publico mundiale bono. Do we have them? We might find them, if only we look in the right direction. Third, we need time, a lot

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of time. 2011 is merely another blink of the eye in our long quest for a better future. We might get there.

Your book suggests an Integrated Success Index as a measure of the kind of development the world needs. Without going into the mathematics, what is success for a society? Is it different from success for an individual, and can there be a conflict between the success of individuals and of the society?

If you were looking for just one measure of societal success, I would say it is optimism based on realism. A successful socio-economic strategy leads to confidence in a better future. Without such trust, it is difficult to enjoy economic development and cultural progress. However, this optimism must be based on economic realism. We need pragmatic vision, not new illusions. Mankind is tired of the utopias of the twentieth century: communism, neoliberalism, contemporary laissez-faire, or conflict-free globalization.

The Integrated Success Index takes into account the processes that are critical for individual and social satisfaction. Not only the level of output measured by GDP, but also the quality of human and social capital, the advancement of culture, the state of the natural environment, and of course subjective well-being. The success of the entire society is not a simple sum of individual cases. It's rather a vector, a derivative of those cases.

I don't have a philosopher's magical stone for the salvation of the world and civilization. However, I do have certain thoughts, which I share on the pages of Truth, Errors, and Lies: Politics and Economics in a Volatile World, pointing to a sensible way forward. It must rely on post-GDP economics, since we are already in the post-GDP world. It must be heterodox. It must be eclectic. Albert Einstein said that thinking has a big future. I argue that interdisciplinary thinking has a great future.

To end by going back to your question about how my book differs from the many other interesting works on related subjects, I would say that it has a lot to say about the future, even when it speaks through stories from the past and snapshots of the present.

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