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Society and Economy

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Economics of New Pragmatism in Contemporary Society: Identity, Aims, Method

Abstract: Modern economic thought does not provide a satisfactory explanation of current socio-economic reality, nor does it propose effective methods for solving the world's mounting problems, especially at the macroeconomic and macrosocial level. The "beyond-GDP" reality requires a "beyond-GDP" economic theory on which to base a development strategy which is triply balanced—economically, socially, and ecologically. The new goal of economic activity cannot be a simple maximization of profit and a quantitative increase in production. The interests of private capital should be subordinated to long-term public interests through a re-institutionalization of the market economy. The enormous changes occurring in technology, the economy, society, culture, and the natural environment force us to abandon orthodox economics and look for innovative economic views. One such approach would be a new pragmatism—an eclectic, interdisciplinary theory focused on a future-oriented socio-economic policy.

Keywords: world economy, society, descriptive economics, normative economics, research method, new pragmatism

Introduction

Economics is a beautiful science because it serves human well-being. It is knowledge about economic activity in all its aspects, and when we are able to add further new observations of phenomena and processes and their innovative theoretical explanations to the knowledge accumulated over generations, it becomes a science. Nevertheless, it only remains a science for as long as it is at the service of truth—when it focuses on objective analyses and in-depth generalizations, and not when it becomes ugly, when it is merely an instrument in ongoing political and ideological quarrels or a tool in the hands of the lobbyists of special interest groups. In these two cases, economic knowledge is undoubtedly useful, but it is not a science, and by no means can these types of activities be assigned the attributes of beauty inherent to economics as a science that perceives and examines human behavior—individual, group, social, civilizational—and expresses its interpretations in theoretical frames. Therefore, economics can be described as a science when it creates value added in terms of knowledge about economic activity.

However, the matter gets complicated because not only are there unresolved problems, but economics itself is also in a phase of fundamental change. According to many authors, economics is in the throes of a crisis (Skidelsky 2020) and some even claim that it is a broken science, which like Alice in Wonderland believes in various contradictions at the same time (Cooper 2014). Indeed, economics is currently in a quite difficult situation, due, on the one hand, to the essence of its subject matter, that is, the condition of the modern economy and its cultural, political, and technological environment, and, on the other hand, due to the functions which an advanced and enriched knowledge about economic activity is supposed to perform. From both of these perspectives, the present period is special, as it raises new questions to which new answers have to be sought. This is a fascinating challenge that traditional schools of economic thought cannot successfully tackle. A different reality requires a different approach.

The Identity of Economics

With the constant movement of people and the goods and services they produce and provide, economic thought wanders as well—with the accompanying questions and answers. For some time now—counting in decades and generations rather than in years and political electoral cycles—we have been living in a world with a new quality, which from a broad economic perspective can be described as a "beyond-GDP" reality. This implies the need to develop a beyond-GDP economic theory that will serve as the base for a beyond-GDP economic policy and a beyond-GDP development strategy addressing the current and future problems. The beyond-GDP reality means that many economic phenomena and processes, in the broad sense, occur beyond the fields of activity observed and explained by traditional economic thought, which has focused on studying the conditions and mechanisms of growth identified, in simple terms, on the microscale with the maximization of return on invested capital, and on the macroscale with the maximization of national income, most often understood as gross domestic product (GDP).

The economics of today describes and interprets a considerably different economy and society than Adam Smith wrote about in *An Inquiry into the Nature and Causes of the Wealth of Nations* in 1776. He could describe the sphere of production as viewed through the prism of a pin factory and barter relations based on contracts between a baker and a shoemaker. Now such a description must be made, *inter alia*, by analyzing global financial flows and distribution relations in the online sector. Of course, bakers and shoemakers are still needed, although the uncritical apologists of hi-tech feel that this is no longer the case: a smartphone, Spotify, and Uber will do the job; it's enough just to click. The GDP per capita in England in Smith's day (Smith did not know this category; his was a before-GDP economy) was about 15 times lower than it is today, while the population of the economically loosely connected world—producing, on average per capita as much as the English—was about 10 times less numerous than it is now. Thus, the whole world produced some 150 times less than it does presently. Forty years after Smith, when the economy had gained momentum as a result of the Industrial Revolution—which, in time, would come to be called "the first"—and humankind had already exceeded its first billion of population, David Ricardo studied international trade relations and developed the theory of comparative costs by analyzing the exchange of English cloth for Portuguese wine.

Today's economy is also very different from the one described and interpreted by Karl Marx in *Capital* a century and a half ago. Over time more sophisticated ways of getting rich at the expense of others have emerged than those of the primitive and brutal nineteenth century exploitation of the working class by the bourgeoisie. Our economy is also different from the one intellectually embraced three generations later by John Maynard Keynes, who explained the demand-side mechanisms for controlling the economy on a macroeconomic scale. The breakthrough he made in economic thought was no longer sufficient half a century later as a result of the intensification of the modern phase of globalization, that is, the liberalization and integration of national economies and capital, goods, and labor markets—which had previously functioned to some extent in isolation—into one interconnected global market. The previous misconception in that the sum of microeconomic rationalities (if any) does not add up to the macroeconomic rationality, which Keynesian interventionism tried to correct, was exacerbated by the second-generation misconception where the sum of macroeconomic rationalities (if any) in no way makes up the global rationality.

The memorable contributions to the science of economics by Smith, Ricardo, Marx, and Keynes, as well as many other important scholars, cannot be overstated. However, there is no doubt that if they were faced with the reality given to us, they would formulate other, sometimes completely different questions and come to different conclusions than they did in their times. This is indirectly demonstrated by the later achievements of such economic theorists as Friedrich Hayek, Gunnar Myrdal, Simon Kuznets, Milton Friedman, John Kenneth Galbraith, Paul Samuelson, Gerard Debreu, Douglass North, Janos Kornai, and Joseph Stiglitz, and in Poland, Oskar Lange and Michał Kalecki.

The evolution, over the past half century, of the research field of economics toward a post-industrial economy has also quickly proven insufficient, as is shown by the fact that economics is not able to answer numerous and salient questions. It disregards such categories as expectations, irrationality, the value of leisure time, the price of fresh air, social cohesion, complexity, and geopolitics. However, investigating the conflicts of economic interests and suggesting ways to resolve them still remains the backbone of economics. There is no economics without conflicts of interests. We also constantly have to deal with the differences between our ideas (Brunnermeier, James and Landau 2016). It is sometimes the case that even where there are obvious contradictions, economists, by moving on the solid grounds of reality rather than strolling around in Wonderland, can prove the validity of opposing views. It is a bit like in an old joke where a young man asks a wise old man: “How much is two times two?” and receives the answer “Well, it depends if you’re selling or buying…”

In the beyond-GDP reality, the core of the conflict of economic interests and ideas is different than it used to be, as a natural consequence of the advance of productive forces and the evolution of production relations. Such trends as institutional, behavioral, experimental economics or neuro-economics have contributed a great deal to the study of the changes that are taking place, but it is necessary to go further, deeper, and broader, and above all, to make economic thinking more prospective. If economics is unable to stay ahead of the processes occurring, it should at least keep up with them. If modern economics cannot be the economics of tomorrow, let it at least not be the economics of yesterday.

Contemporary economics must go beyond the area of the market, even in its broadest sense. Sometimes it should delve into the nooks and crannies of human thought processes and sometimes into the interactions taking place in the triad of the economy, society, and the state. Actually, the slogan “It’s the economy, stupid”—this very popular phrase that was coined by chance during Bill Clinton’s presidential campaign of 1992—is a sort of neo-Marxist claim that the social being determines the consciousness of human beings, and that the material base governs the physical and cultural condition of a society. Now we know that it is sometimes also consciousness that determines social being and certainly has a huge impact on it. Additionally, there is the state, which participates in shaping these relations, and in the era of globalization international and global regulations take part as well.

The condition of the economy is so complex that economic thought—theorizing about the economy’s purpose, content, and method—needs to be pushed in new directions. Economic thinking should certainly leave the current mainstream of thought for good because the models produced have moved too far from the realities of economic life. American academic jargon speaks of two schools of economics: the one pertaining to the leading universities of the east and west coasts (Columbia, Harvard, MIT, Princeton, Yale, Berkeley, Stanford, and UCLA) and the other to the universities of the Great Lakes Region (Carnegie Mellon, Chicago, Michigan, Urbana-Champaign, Minnesota, and Rochester). In referring to these universities’ dominance in economic theories, James Kenneth Galbraith wrote, with some proper intellectual skepticism, of another option in the form of “backwater economics” (Galbraith 2018), because indeed, many precious thoughts have been born in other parts of the country and outside the US as well (Csaba 2009; Lin 2012 and 2013; Nuti 2018; Piatkowski 2018; Tirole 2017). What textbooks contain does not cover what is actually happening in reality, and science cannot ignore and over-simplify it.

The world, which is inhabited by nearly eight billion people producing a gross product of more than USD 130 trillion (calculated according to purchasing power parity, PPPs) and creating plenty of economic and social problems, is structurally unbalanced and therefore generating conflicts, which are reaching a breaking point. While there are authors who argue that the situation is not at all bad (Milanovic 2019; Ridley 2010; Rosling and Ronnlund 2018), others claim that the world and civilization are facing a meltdown. While some outline almost catastrophic visions and certainly do not see any sensible future for capitalism (Harvey 2015), others are convinced that it can be rectified by fundamental changes (Acemoglu and Robinson 2012; King 2013; Kolodko 2014a; Phelps 2013; Stiglitz 2019a). If a rising tide cannot lift all boats, including small ones, then at least let it not be the case that many of them sink and only the yachts are lifted, mostly the luxurious ones.

Over the next few years, we will hear more often—as we are already hearing—about the end of the world as we know it, about the collapse of the market economy, about post-capitalism, and again about a third way and socialism. New terms appear, such as the digital economy, the sharing economy (Sundararajan 2017), the gig economy based on digital platforms (Kessler 2018), and Chinism (Kolodko 2018). The old will return with determiners such as “new” or “neo” added, as in “new nationalism” (*Economist* 2016) or “new authoritarianism” (Wiatr 2019), or with the adjective “true,” as in “true progressivism.”[1] Concepts known from the past, such as ordoliberalism and the social

[1] Shortly after the outbreak of the financial crisis of 2008, opportunities were being sought to save the then unstable neoliberal capitalism from its evolution toward “True Progressivism” (*Economist* 2012).

market economy, will revive. The new-old categories will be preventively criticized, as was the case with collective capitalism, which is accused of being deprived of two attributes of a healthy economy: responsibility for deciding what people need and dynamism (*Economist* 2019a), or with the welfare state, which is claimed to entail excessive fiscalism and an excessive—from the viewpoint of efficiency—redistribution of income.

As a result, the first thing that will prevail—as it is already—is conceptual noise and definitional clutter. Yet, in time, some sort of compact concept of a new socio-economic system, or rather new systems, may emerge, because with all the consequences for the economic sciences, there will be no more uniformity, just as, in practice, there has never been in the past, except in some theoretical models simplifying reality.

Hence, we are now living in an era when a new reality is being formed, a new system that is different from the previous ones, which has to be intellectually embraced, understood, and explained. Ways to influence its evolution need to be proposed to allow for the co-formation of its desired shape. It is clear that there will be constant axiological disputes—they are already ongoing—concerning its shape and that its appearance will be a function of resolving the conflicts of ideas and interests that are piling up. Humanity is not doomed to some predetermined future; there is no determinism. This future can and must be shaped. Given that the answer to the question of how to do this needs to be constantly sought, economics has a good future ahead of it.

Terminological rigor is very important in scientific debate, as many disputes arise because those presenting their arguments do not mean the same thing. How to resolve the dispute over whether there is "state capitalism" (Roland 2019), or corrupt "crony capitalism" (Minxin 2016) in China or, as the Chinese leaders prefer, "socialism with Chinese characteristics," if, when sticking to the definitions proposed by the authors, in one and the same reality, each of these systems is present there? Is democracy in Poland still liberal or no longer liberal (because in Hungary it is already illiberal) (Csaba 2019)? Does the market economy in Turkey and Russia operate in the political environment of a democratic or autocratic system? While some authors use different terms to describe the same reality, others refer to different realities using the same term. It can happen, therefore, that after a thorough explanation of the terms used the dispute or source of a political conflict may disappear. For this reason especially, a continuous substantive dialogue is needed.

So, what kind of economics are we talking about? What is it supposed to analyze and interpret? Should it propose to change itself, and, if so, how can it change for the better? It is astonishing that even though the economic knowledge accumulated over the centuries should seemingly provide easy and consensual answers to these questions, economics is often helpless when faced with the accumulating challenges. This happens for at least two reasons. First, due to the enormous qualitative diversity of the realities studied, economics is becoming a more and more contextual science, while universal laws apply to a lesser degree. Second, economic thought often fails to keep pace with the rapidly changing reality.

This notion has by no means disappeared. Interestingly, it appeared along with two other terms in the name of an academic conference—"Progressivism, Socialism, Nationalism"—organized in September 2019 at Columbia University in New York by the Centre on Capitalism and Society, headed by the Nobel Prize winner Edmund Phelps (vide https://capitalism.columbia.edu/17th-annual-conference-progressivism-socialism-nationalism; access 29/12/2020).

A Marxist would say that observations, analyses, and generalizations are not keeping pace with evolving production relations, which are being overwhelmingly influenced by the quickly changing nature of production forces. An institutionalist would conclude that the rules of the market game remain in discord with the fast changes taking place in technology and the organization of production and exchange.

The Objectives of Economics

Humanity is facing epochal challenges. Meeting them forces lifestyle changes, with which the operation of a changed economy must be correlated. In turn, all this determines the need to redefine the objective of economic activity. These epochal challenges stem from seven overlapping mega-trends which are significant for contemporary times:

1. demographic changes, especially the aging of the population and huge variations in fertility rates,
2. environmental changes, especially the depletion of non-renewable resources and global warming,
3. the scientific and technological revolution, especially the digitization of the economy and culture, as well as automation,
4. non-inclusive globalization, especially increasing areas of exclusion and inequality,
5. the general crisis of neoliberal capitalism, especially the structural economic imbalance,
6. the crisis of liberal democracy, especially the accompanying polarization of societies, the rise of populism and new authoritarianism, and the Second Cold War, especially the escalation of US-China tensions.

Thus capitalism does not get along with itself. Even such an excellent supporter as the leading British-American weekly *The Economist* had to notice that "in the West, capitalism is not working as well as it should be" (*Economist* 2019a). It is not working because it cannot, as it is experiencing a structural crisis (Bremmer 2010; Galbraith 2014; Stiglitz 2019b). The lack of fair competition, bad regulation, the corruption of politicians and bureaucracy, the self-interest of business and financial elites, greed and avarice (to such an extent that the best business schools have taught that it is good), fraud by manufacturers, distributors, and service providers, starting with the banking sector, through the automotive sector, and ending with the pharmaceutical sector (Akerlof and Shiller 2015), the driving up of consumerism for capitalist profits, corrupt media manipulating public opinion, and the cynicism of the political elites—all this had to reap a bitter harvest.

Unless it changes its essence, that is, its system of values and fundamental principles, capitalism, which has been contaminated by market fundamentalism, may not survive the current historical turn. This is as interesting as it is difficult and dangerous, because quantities of questions immediately emerge. What's next? In return for what? If indeed there is post-capitalism, then of what sort? What are the desired changes if all that remains is to escape forward? Because there is not much to go back to. Old technologies cannot be used to raise a new building on a new planet. Moreover, the Earth of the twenty-first century is an utterly different planet from that of previous centuries.

While analyzing the various economic systems and considering their efficiency, we are led to the conclusion that they are not equivalent in an axiological sense. Moreover, even within the same economic system, there are better and worse economies. A good economy is capable of a long-term and harmonious development that maintains the proper relationship between the present and the future. What people need is not an economy in general but a good economy. Economic activity cannot be isolated from the values that it is supposed to serve. On the path of history, the notions of good and bad in the economy, and—because it is not the same—a good and bad economy, have changed profoundly (Sedlacek 2011). Today, we are closer not only to categories such as profitability and justice, but also to social cohesion and solidarity, generational responsibility, and environmental awareness.

A good economy must be efficient and competitive, but these are only means and should not be confused with the objective of meeting needs. A good economy calls for a good policy, which involves giving people not what they want but what they need. This is the imperative of the economy of moderation. It is not about usurpers forcing on others the consumption patterns and lifestyles they have invented but about affecting these patterns and lifestyles in a public, democratic discourse. Such discourse must be responsible and based on scientific findings that say what is objectively healthy and beneficial individually and socially. Thus, real politics is not only supposed to capture social preferences accurately but also to stimulate them sensibly. Proper socialization and education—as well as the social impact on desirable consumption patterns from the viewpoint of sustainable development and improved welfare—must therefore consist in shaping consumption preferences in such a way that people want what serves them well as often as possible. The vast amount of knowledge provided by behavioral economics (Kahneman 2011; Thaler 2016; Thaler and Sunstein 2009) facilitates work in this field. Unfortunately, this knowledge is effectively used for the opposing purpose (Kuenzler 2017). What is missing is sufficient political determination to go in the right direction (Kolodko 2014b; Krugman 2020).

In recent decades, much damage has been done to economic thought by neoliberal economics, which makes a few illusory assumptions. The first of these is that the market operates under conditions of full competition. In actuality, there is some extent of competition but never perfect competition because markets are largely oligopolistic: from large retail chains and airlines through banks and insurance agencies to pharmaceutical companies and social media. Indeed, the pressure for deregulation from neoliberal circles consists in demanding—and often obtaining—the legislation they want, not so much to deepen the competitive environment but rather to make it easier for them to maximize their own benefits from profit-seeking. More than once, deregulation has come down to making it easier to cut out relatively weaker competitors which are inconvenient for the stronger companies. In many cases, such legislative is fostered by a hypocritical policy that preaches one thing and does another. This must be changed, and the way to change it is to introduce regulations on behalf of a social market economy and to take into account the interests of medium-sized and small enterprises and their stakeholders.

The rationality of economic entities, both businesses and households, is also insufficient. A rational entity acts for its own benefit, given sufficient information. Assuming for a moment that people think and know what is good for them in their various economic roles—and if they do not know, then they know where and from whom they can find out (Sloman and Fernbach)—information is decisive. There is often an asymmetry here—an imbalance in favor of the generally better-informed producers and merchants. The position of buyers and consumers in the wide sense is weaker. It is deliberately further aggravated by the forces manipulating buyers and misinforming them through marketing and advertising so that while buyers think they are acting for their own benefit, they are actually providing income and generating profits for someone else. In comparison to a hypothetical optimization of behavior if they were provided with full and balanced information, they harm themselves.

The commanding forces of the power, capital, and information triad (or, in other words, politics, money, and the media) often have the effect of making people irrational in the market. The civil state has the power to counteract these forces through market regulation. Even if the market were fully competitive, it could never eliminate this syndrome by itself. Here, educational and institutional intervention by the state is needed. This is the state's responsibility. Freedom is indeed about the ability to make choices, but genuine freedom only exists if the voters—here buyers and consumers—are fairly informed about what they are buying and consuming.

An immense effort must be made to create a proper institutional set-up for the market in order to bring the realities of the modern market economy as close as possible to the ideal of full competition, with sufficient information provided to the entities pursuing economic activity. Without progress in this field, consumer sovereignty will also be illusory. Its condition *sine qua non* is to be aware of the options and the associated marginal utility. The directions of the necessary structural reforms in these areas require a fundamental systemic and political strengthening of the public authorities supervising fair competition and protecting consumer interests. It is right that actions are being taken to this end both in the United States and in the European Union, although it is less proper that their authorities seem more willing to impose penalties, sometimes worth billions of euros, on competitive companies on the other side of the ocean.

There is no global economy without national economies; there are no national economies without a microeconomic sphere. There is no macroeconomics without microeconomics. What, then, are the microeconomic foundations for innovative economics that would meet the upcoming challenges? It is clear that the economy must continue to rely on the dominance of private companies—except that their functioning and expansion must be regulated by the state in the general interest. The aim of an entrepreneur remains to maximize the rate of return on the capital employed, which the state is supposed to encourage with a proper institutional set-up. At the same time, the state is supposed to make it more difficult for an entrepreneur to drive up its own profits through rent-seeking—the exploitation of stakeholders and the passing on to them of some of the costs incurred, as well as the capturing of income earned by someone else in the various phases and channels of distribution. The state should, with proper market regulation and concern for the circulation of information and the fight against disinformation, encourage entrepreneurship and investment but still influence economic activity in a way that is consistent with the macroeconomic objective of improving the welfare of society. The institutional and politico-economic alignment of the interests of shareholders and stakeholders should consistently be pursued. Good practices in this respect are brought about by ordoliberalism and the social market economy.

Today, an important new element of economic activity is that sometimes access to reliable information is more meaningful to the formation and allocation of capital than is ownership. This issue has both a technical and a moral dimension, and thus it is even more necessary to strive for reliability in economic activity and high ethical standards in business and economic policy. For the economy to be good, it must be fair—which once again raises the issues of healthy market competition and good state regulation.

It is not possible to eliminate the aforementioned misconceptions, but they can be mitigated as much on the micro-macro level (enterprises and the national economy) as on the macro-mega level (national economies, the global economy). Again, without the state in the first case and its transnational agreements between governments, and their proper actions, in the second case, little can be achieved here. Not only does the market itself fail to solve these problems, but it also intensifies them. However, to move things forward, one must not be fooled by the glittering but merely verbal readiness of the private sector to be almost charitable. This is not its purpose. Milton Friedman (1970) was right when he said that corporate social responsibility was about maximizing shareholder value. However, Joseph Stiglitz (2019c) is also right when he says that corporations have a social responsibility to pay taxes. In a fair, well-regulated economy, one does not exclude the other.

Having been frightened by the wave of populism, the chaotic reactions of some politicians, and various anti-establishment sentiments, capitalists have been declaring their willingness to look after the interests of other people, not just their own. We should not be easily deceived, because such declarations are nothing more than tactics arising from the capitalists' fears of losing their own powerful position. When, at America's Business Roundtable in August 2019, more than 180 top managers of large companies stated that their main objective was not the maximization of shareholder value but the satisfaction of all stakeholders, this was just an attempt to pull the wool over people's eyes. It was intended to counteract the political determination to change regulations to take more account of social objectives. When a big business—especially one that has neither clean hands nor a clear conscience—heard announcements of the planned systemic changes and revaluations of economic policies by the Democratic contenders for the US presidency, Bernie Sanders and Elizabeth Warren[2] (*Economist* 2019c), and Jeremy Corbyn, the left-wing leader of British Labour—it was willing to declare almost a transition to quasi-socialist positions (*Economist* 2019b). For a while, and on paper. Unless…

Unless, indeed, there is another great change coming under the influence of the combination of the growing grassroots pressure of significant parts of society which are dissatisfied with the state of affairs and the belief of certain enlightened political leaders that the system can and should be better than before. History knows of such cases. Under growing pressure from the increasingly organized labor movement and the specter of

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[2] Elizabeth Warren accurately diagnoses the fundamental vices of American capitalism (Warren 2018). She is right to say that the system is corrupt and fails ordinary people. Joseph Stiglitz goes even further in his harsh assessments and shows how deeply corrupt the system is, tolerating exploitation and fraud, and how flawed its policies are (Stiglitz 2019a).

communism that circulated in Europe,[3] the capitalism of the late nineteenth century became less nasty than it had been at its beginning, although it was still necessary to fight for a ban on child labor or for an eight-hour working day. Later, in the 1960s, President Lyndon B. Johnson's Great Society program (Zelizer 2015) made a considerable push for capitalism to find new and better tracks. The impulse came from a combination of mass protests against the flagrant injustice of huge areas of social exclusion, poverty, and racial discrimination on the one hand, and on the other, the pressure resulting from perception of positive examples of a socialist economy characterized by full employment, free health care, universal education, state promotion of culture, and safety on the streets. The progressive changes that were then introduced in the United States, and which were followed in some other countries as well, became permanent over time.

Will it be the same this time too? There are enough protests going on against the unacceptable state of affairs, but the Occupy Wall Street and Occupy London movements, which were widely reported on a few years ago, seem already to have been forgotten. Are there enough enlightened leaders seeking genuine changes *pro publico bono*? Do they have anything to reach out for? Are there political ideas and programs that are sufficiently attractive and also, most importantly, pragmatic? Are there new economic theories on which practical programs can be based? Will it be possible to force them through, breaking the conservatism and resistance of special interest groups? Do we have satisfactory knowledge of good practices, which in this time of globalization can overlap with the science of management? This is a crucial time, and we must be very careful not to be deceived by the hypocrisy of some elements of the business and political elites, nor to stray into the wilderness of populism. If all this can be done, capitalism will survive, although perhaps over time it will be of such a new quality that a new term will have to be invented for it. After all, we are definitely not at the end of history. Nevertheless, we have to be very careful because even though no one can step in the same river twice it is possible to step twice in the same swamp.

To achieve the redefined objective of economic activity, the path of triple-balanced development—economically, socially, and environmentally—should be followed. There are feedback loops between these spheres. Now, none of these dimensions can be maintained in the long run without the other two. Even if a classic dynamic economic balance—between production and sales, income and expenditure, savings and investments, imports and exports—can be achieved, it is no longer sufficient. What is needed is a social balance expressed by a high degree of social cohesion, satisfactory outlays on social capital, and a firm limit on income inequality. This limit must be impassable in both directions, both upwards and downwards, that is, income inequality should be at a level that favors the formation of capital, on the one hand, and that is not contested as being unfair, on the other. An ecological balance is needed that enables people to live their everyday life with clean water and green grass, and that does not deplete natural resources in the long term and does not deprive future generations of access to them. The balance between today and tomorrow is even more difficult to achieve than that between the two sides of traditional balances.

[3] "A spectre is haunting Europe—the spectre of communism," wrote Marx and Engels in the "Manifesto of the Communist Party," which was first published in 1848.

Since we are living in a beyond-GDP economy, which operates in a different world than in the past, we need to redefine the purpose of economic activity. On a macroeconomic scale, the aim is prosperity, which is determined not only by the traditional level of consumption of goods and services but also by the quality of the natural, cultural, and political environment in which this consumption occurs. It is becoming increasingly important not *to have*, but *to be*. Even a high level of consumption—and this is still far from being the case for the vast majority of humankind—does not guarantee satisfaction with the economic activity if it is not accompanied by social cohesion and a proper moral sphere.

People go where they aim. Thus, the metrics of development should be changed so that following them serves the purpose of progress in terms of prosperity. More and more metrics are being proposed (Stiglitz, Fitoussi and Durand 2019; Koźmiński, Noga, Piotrowska and Zagórski 2016 and 2020), some only directionally, such as the *Integrated Success Index*, ISI (Kolodko 2011), others operationally, such as the *Inequality-Adjusted Human Development Index*, IHDI, calculated by the United Nations Development Programme, UNDP, or the *Better Life Index*, BLI, estimated by the Organization for Economic Cooperation and Development, OECD. In the case of composite indices, which also take account of the subjective feelings of the population as regards both their material situation and their cultural and political situation,[4] it may happen that even when real incomes are rising, the mood is pessimistic and the situation is worsening. This happens when the authorities say that the situation is improving but the working and non-working people of cities, towns, and villages think it is getting worse. As a result, people first get angry and then take to the streets.[5]

This is what happens in rich countries, as demonstrated in France by the wave of "yellow vest" demonstrations in response to an increase in excise duty on diesel fuel. It also happens in moderately developed countries, such as in Santiago, Chile, where vigorous demonstrations were provoked by an increase in the price of metro tickets, and in poor countries such as Ecuador, where the eruption of protests was triggered by a reduction in state subsidies relating to energy prices. It is interesting and important that in each of these cases, there was an economic and sometimes ecological justification for the price rises, but the social consequences were ignored. In a narrow economic equation, perhaps everything made sense, but not in an integrated equation of the economic, social, and environmental balance.

This is a wider problem inherent in the essence of the triple balance—or, unfortunately, more often, the imbalance. There is a contradiction between minimizing the costs and risks in one sphere—economic, social, or environmental—and increasing the costs and risks in the other, or in the remaining two (a risk-risk trade-off). Traditional economics cannot accurately weigh and compare these costs and accurately estimate and confront these risks. There is much that needs to be done to examine and interpret these relations: above

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[4] The *Legatum Prosperity Index* is one such index, *inter alia* (https://www.prosperity.com/).

[5] Of course, people also take to the streets for other, non-economical reasons, for example, to emphasize that "Black Lives Matter," to shout for the "*Konstytucja!*" across Poland, to appeal for fully democratic elections to be held in the "Московского городского совета," to demonstrate against the unfortunate idea of being tried in the PRC for crimes committed in Hong Kong, to sing "*Hai Tanahku Papua*" during protests in the courtyard of Cenderawasih University in Jayapura, to demand "*Catalunya Lliure*" at La Rambla in Barcelona, or to march through Avenida 18 de Julio in Montevideo and demand to "*Vivir Sin Miedo*."

all with reference to economic policy measures and development strategies that promote a comprehensive balance.

These indices show how much the narrative is changing, and they show even more how much economic policy would change if it were subordinated to more accurately formulated objectives. While in the ranking by income (GDP per capita according to PPP) the USA is fifth in the OECD (after Luxembourg, Ireland, Norway, and Switzerland), in BLI comparisons, it falls to tenth position.[6] According to the first criterion, Poland is ranked 31st in this group (between Portugal and Hungary) and 27th according to the second metrics (between Slovakia and Lithuania).[7] In terms of HDI, which is equally affected by the size of GDP per capita, the state of society's education and health (one third by each), and IHDI, which is further adjusted for inequalities, the specific charm of countries in comparison to their traditional appearance is also sometimes different. While the United States is ranked fifth in terms of the simple metrics of income per capita, and Poland 31st, using the HDI rating as a criterion for assessment, they are ranked 15th and 32nd, and according to the IHDI—28th and 27th, respectively.[8]

The Method of Economics

The objective of economic activity, to which sustainable development is supposed to lead, stems from the nature of a good economy. In turn, this objective determines the further subject of economic research and its method. A special feature of good economics is its comprehensiveness (Arthur 2015) because there is always a bundle of conditions, efficient causes, and secondary mechanisms related to the phenomena and processes being analyzed and explained. After all, a comprehensive approach is far from universalism and is even hostile to "everythingism." However, at the heart of this research method lies the awareness that things happen as they do because many things happen simultaneously. By no means does the imperative of economic comprehensiveness signify that everything close to the subject must be encompassed, but anything that is relevant to the shape of a given phenomenon and process cannot be overlooked.

Today, due to the irreversibility of globalization, the global aspect of economic relations in the broad sense is particularly important. The quality and efficiency of economic activity derive from the mutual relations not only between the market and the state but also between the three fundamental elements of this process: the market, the state, and the world, or, viewed from a slightly different angle, business, the national economy, and the global economy. Economic research cannot therefore be dissociated from the global aspects of economic activity. These aspects make their presence felt both at the mega-economic level when we study the conditions, course, and effects of a trade war; at the macro-level, when we analyze the development of the balance of payments; and at the micro-level, when we look at changes in fuel prices at a gas station.

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[6] OECD, *Better Live Index* (http://www.oecdbetterlifeindex.org/#/00000000000; access 29/12/2020).

[7] OECD.Stat (https://stats.oecd.org/Index.aspx?DataSetCode=PDB_LV; access 29/12/2020).

[8] UNDP, *Inequality Adjusted Human Development Index* (http://hdr.undp.org/en/content/inequality-adjusted-human-development-index-ihdi; access 29/12/2020).

A fascination with economics derives from the fact that economics is intellectually enriching, because it requires having constant resource to other social sciences—to philosophy and anthropology, sociology and psychology, law and political science, history and geography. A good economist must not only be able to count—because this is still a science that studies efficient economic activity and an economist has to be able to compare effects with expenditures—but also to feel. Economics lost something in moving too far from philosophy, in getting drawn far too much into mathematics, with many economists focusing more on how to count than on what to count and why. Hence, in its essence, economics should be treated as one of the humanities, although it is most often placed outside of it, typically among the social sciences. However, it cannot abandon mathematics and have its head in the clouds of philosophical abstraction. It is a great art to reconcile these two very different domains—the hard one and the soft one. It is the art of combining various points which at first sight might seem to be chaotically scattered in time and space. There is a method to this chaos.

However, what economics needs more of is definitely not chaos but order and discipline of thought. Here, classical logic is helpful. From a methodological point of view, deduction is as useful as inductive reasoning. Logical induction, that is, the formulation of theoretical generalizations based on the observation of phenomena and processes, and accumulated experience, is particularly recommended. The problem is that unlike in other branches of science, such as physics and chemistry, the chance for economists to conduct experiments, especially on a macro- and mega-scale, is very limited, if not impossible. History provides us with experience, not laboratories.

Deduction, which is a type of reasoning aimed at reaching a conclusion based on a set of premises, offers plenty of opportunities but also poses great risks. Economists almost constantly make assumptions ("let us suppose that…"). The problem is that often the assumptions made are too abstract, detached from reality, illusory, questionable, biased, or simply wrong.

A very dangerous logical fallacy that occurs very often in social science thought and, in particular, in economics, is the *post hoc ergo propter hoc* one ("after this, therefore because of this"). President Trump attributes the economic growth in the US between 2016 and 2019 to the decisions behind what others have called "Trumponomics," although that growth happened largely due to other factors, especially the positive inertia of the previous period, bottom-up technological progress, the good external situation, and favorable energy prices. In Europe, for example, *post hoc ergo propter hoc* thinking is evident when opponents of introducing the euro in countries such as Poland or Sweden, the Czech Republic, or Hungary, use the false argument that it increases inflation. The fact is that Lithuania and Slovakia did experience a slight acceleration in the rate of price increases after joining the eurozone, but not for this reason. The inflation was due to the simultaneous operation of cost-push inflation mechanisms, mainly driven by rising labor costs and energy prices.

The largest logical fallacy of the *post hoc ergo propter hoc* type is the thesis spread by neoliberal thought that the accumulation of income and wealth inequalities is caused by objective factors, namely, out-of-control globalization and the nature of technological progress. This is not true. Globalization itself contributes to a greater increase in income than would occur in the absence of it. Rising inequalities are not a by-product of globalization and technological progress but are the result of non-inclusive institutions and bad government policies consciously pursued in a flawed socio-economic and political system (Atkinson 2018; Milanovic 2016; Klein and Pettis 2020). The enrichment of a few at the expense of the many—and this is what neoliberalism is all about[9]—requires specific policies and a deregulation of the economy that involves weakening the supervisory role of the state (Harvey 2005; Kolodko 2011). This is accompanied by certain changes in the fiscal system—in taxation, public transfers, and expenditures—which result in the wealthiest section of society capturing the lion's share of national income growth (Milanovic 2011; Saez and Zucman 2019; Tanzi 2018). Of course, when the national income falls, the burden of the recession is pushed onto the poorer sections of the population. It should also be noted that it is not the wave of great technological progress that has contributed to unacceptable inequalities. Where such inequalities are really caused by this factor—mainly as a result of the above-average growth rate in the incomes of high-tech professionals, inventors, managers, and skilled workers—they are socially tolerable. It was not without reason that Wall Street was occupied, and not Silicon Valley.

A good economist should reach for comparative studies. Whoever makes more comparisons, knows more. Comparison is a necessary but complicated method because the question arises in regard to what should be compared. The answer is always linked to the purpose of the research. It is easier to compare what is happening in our own vicinity, with what is happening somewhere else; for example, the competitiveness of the economies of Thailand and Malaysia, or the standard of living in Finland and Romania, or the impact of the interest rate on inflation in Egypt and Turkey. It is also not difficult to consider the current state of affairs against the background of the past; of course, as long as the hypocrisy of historical policy does not interfere, as happens in countries from Poland and Russia to Australia and Japan. By contrast, it is more problematic to compare the facts with what could have happened in the event of other options if the analysis is retrospective (counterfactual history, or "what if?"), and the hardest thing to do is to compare what will happen as a result of suggested or taken actions with what could have happened in the future if some other option had been chosen. This last field of economic comparative studies is fundamental for rational behavior.

An economist needs to know how to compare. Comparisons should produce more comprehensive ideas and provoke additional questions, which first complicate the matter being studied but lead later to a better explanation of it. When different points are compared, even those that are distant in time and space, new dilemmas emerge and additional doubts appear, which inspire reflection. A study should not stop at the surface of the phenomena but should look further, reach deeper, sense more. The results of some comparisons may be surprising or even shocking and may lead us to subsequent ones that bring us closer to drawing the right conclusions and formulating correct theoretical concepts. For example, if life-satisfaction comparisons suggest that Poland ranks between Trinidad and Tobago

[9] Some authors, while agreeing with the observation that a few have become rich at the expense of many, claim that this is not so much the essence of neoliberalism as its effect. Or maybe even a side-effect; it was meant well, but things just happened. Well, no. This was the intention; this is how it was supposed to be; this is how it turned out.

and Colombia in 43rd place, and Singapore in 31st place, between Italy and Brazil,[10] this cannot go unchallenged, especially for someone who knows all these countries from first-hand experience. This makes us take a closer look at the assumptions in the construction of the rankings, to think about the selection of observation fields, and critically verify the methods of estimating the values of parameters and their weighting. If, as a result of such a thought process, these results are merely rejected, without anything better being suggested in exchange, then it has still been a creative process, because more questions have been revealed and, perhaps, more answers.

In regard to the research methods of economics, it should also not be a matter of indifference that economics has grown out of general social interests typical of moral philosophy. This is how Adam Smith created the field in publishing *The Theory of Moral Sentiments* in 1759. Even earlier, analogies were sought between economic reality and the functioning of living organisms. In the economies that economists examine, as in the human body, examined by doctors, there are sometimes hopeless cases where nothing can be done. Prevention is thus all the more important in medicine, and in economics, too, it is of paramount importance to recognize in advance that a problem is growing and to prevent it from escalating. A human being passes away, but society and humankind persist. The diseases that affect them persist as well. That is why practical economics is so necessary. What is needed is pragmatism. A new pragmatism.

New pragmatism is an outline of a theoretical concept within the postulative trend of economic science based on the desire for a good economy corresponding to the conditions of contemporaneity.[11] It is an original, heterodox profile of an economic theory created as an answer to the challenges of civilization and the transformations of economic systems. A key element of the necessary economic paradigm shift is to move away from the diktat of profit maximization and quantitative production growth as the objective of economic activity and to redefine it, taking into account the imperative of subordinating short-term private capital interests to long-term public interests. An important principle governing the economy of the future should be moderation, that is, the conscious adjustment of the size of human, material, and financial flows and resources to the requirement of long-term harmony.

Under new pragmatism, economics is treated as a science which is:

1. *Heterodox*—thought is free from dogma and the compulsion to fit within the framework of orthodox economic doctrines;
2. *Descriptive*—analysis and description of the state of affairs constitutes a foundation for diagnosis and a starting point for further considerations;
3. *Explanatory*—interpretation of the observed phenomena and processes makes it easier to understand why they manifest themselves and occur as they do and not otherwise;

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[10] According to the ranking of the "World Happiness Report 2020" (https://happiness-report.s3.amazonaws.com/2020/WHR20.pdf; access 29/12/2020).

[11] The term "new pragmatism" is used here without any relation to the philosophical current known as "new pragmatism" (Gunn 1992) which formed in the late nineteenth century. The term was introduced (Kolodko 2011) not as a contrast to "old pragmatism" but to suggest something "new" in the sense of "different" from previous economic approaches.

4. *Evaluative*—evaluation of alternative *ex post* situations and expected *ex ante* results forces us to seek answers to the question of whether the economy could have been better and whether it can be better in the future;
5. *Normative*—postulating directions and methods of change for the sake of what seems to be better;
6. *Comprehensive*—observation of the whole of economic relations in the broadest sense, in contrast to reductionism and attempts to build comprehensive theories from fragmented research results;
7. *Eclectic*—connecting lines of analysis and synthesizing various economic schools: from behavioral economics through neo-Keynesian economics and institutional economics to development economics and political economics, as well as microeconomics with macroeconomics and global economics;
8. *Contextual*—analyses and syntheses are not detached from reality, in "pure" economic models, but refer to specific, dynamic, and variable complex circumstances, conditions, constraints, and opportunities;
9. *Multidisciplinary*—analysis of economic reality takes into account the findings and methods of other social science disciplines;
10. *Comparative*—comparison of economic, cultural, political, geographical, and environmental reality is treated as a basic research method. The scientific process largely consists of comparing and drawing conclusions.

The methodological phenomenon of the science of economics is manifested in the fact that it involves a different cognitive process than in the other social sciences. Therefore, first of all, its methodology can be reduced to

1. *describing* (descriptive analysis), then
2. *comparing* (comparative analysis) and
3. *evaluating* (axiological analysis) and, consequently
4. *recommending* (normative analysis).

Descriptively, new pragmatism explains the historical development process, highlighting not only the importance of the individual drivers but also their co-occurrence (coincidence). Normatively, new pragmatism indicates prosperity in its broadest sense as an objective of economic activity. Pursuit of prosperity requires:

1. *Economically sustainable development*, concerning commodity and capital markets and investment and finance markets, as well as the workforce.
2. *Socially sustainable development*, concerning a distribution of income that is accepted by the population as being both fair and conducive to the accumulation of capital, with adequate access to public services.
3. *Environmentally and spatially sustainable development*, concerning the maintenance of appropriate relations between human business activity and nature, both on an ongoing basis and in a forward-looking manner. The spatial aspect is also important, as without proper consideration of it there will be no natural, architectural, or urban harmony.

The normative (postulative) current of new pragmatism is applied economics. It is not real economic policy at the macro-level and also not practical management at the micro-level but theoretical knowledge of how to implement a good economic policy effectively and how to manage a company efficiently. New pragmatism in a sense links economic theory with proposals for economic practice, both at the company and household level, as well as at the level of the state and of the national economy. In this context, it is also worth repeating the statement of an eminent British economist, Joan Robinson, that an economist's answer is a question to a politician.

James Kenneth Galbraith (2019a) sees new pragmatism in the continuation of the economic thought of his eminent father, John Kenneth Galbraith (1958). He gave a lecture with the title "Old and New Pragmatism: Challenges and Opportunities for Economics" (Galbraith 2019b), and in an interview with the Polish daily *Rzeczpospolita*, said that "I was talking about pragmatism in economics. This is the approach that my father, John Kenneth Galbraith, promoted, and which is continued by Prof. Grzegorz Kolodko. Contemporary economics is a much ideologized, abstract field of science, full of theoretical concepts, which are difficult to relate to reality not only for a layman. Nothing like perfect competition or overall balance really exists. I believe that an economist should be useful above all" (Galbraith 2019c).

New pragmatism is useful and helpful, because it is an economic idea that responds to the challenges of the present, and does not run away from them. It is useful because it is heterodox in nature and is not stuck in the straitjacket of the remnants of orthodox economics, which are breaking away from life. Finally, it is helpful because, based on comprehensive and comparative research, it proposes inclusive institutions and state regulations concerning the private sector in such a way that economic activity best serves the individual and collective needs of the population.

Conclusions

Despite the coincidence of many megatrends that influence the way economic activity is conducted, in the foreseeable future it will not change so much that we can speak of a completely different reality than before. The surrounding realities will be the result of a dialectic of continuity and change, and although the scale of technological, cultural, demographic, social, and political changes is indeed enormous—taking into account the aftermath of the covid-19 pandemic as well—there will be continuity. In no way does this mean that the previous economic thought can and should dominate. Economics needs to be significantly rebuilt. It must be more innovative and future-oriented, rather than being orthodox and generalizing conclusions from observations of the past. Thus, economics faces a number of challenges brought about by the social relations it analyses and describes, in particular the need to redefine the objective of economic activity.

A breakthrough similar to that of the Keynesian revolution that followed the crisis of 1929–1933 is not to be expected. What can be expected are gradual changes in the methods of research and an expansion of the economic sciences toward interdisciplinary approaches. There will be no single dominant economic trend, but various schools of thought will exist side by side. Economics will become more eclectic and contextual, using comparative studies as one of its main research tools more than before. Several new currents of economic thought have already emerged in this context, including new pragmatism, which emphasizes the imperative of moderation in economic activity and feedback loops between development which is triply balanced—economically, socially, and ecologically.

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