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An interview with Professor Kazimierz Łaski

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What factors in your life influenced your decision to take up economics?

I cannot fully answer this question. In fact, right after the war I wanted to study medicine. In Lublin there was a medical department at that time, but it was unattainable for me. I did not have material support. I suppose, if I had better conditions, I would have probably become a doctor.

One of the reasons why I took up economics was that I read *The Economic Doctrines of Karl Marx* by Karl Kautsky (1925). I do not know whether the book is still known. I'm not even sure if I have it. After reading it, it seemed to me that I understood the entire history: What was before, what came after, and what would happen in the future. This aroused my interest in economics. Perhaps after the nightmare of the war, the belief that a person understands what was happening was strong.

I studied at the Political Sciences Academy in Warsaw, but these were not very fertile studies. There, I came across economics and other subjects. I also tried to read it myself. I remember reading thoroughly the first volume of Karl Marx's (1867) *Das Kapital*, of which I did not understand much, but still something. Volumes II and III had not been translated into Polish at that time, but I knew German well enough to read, and because I had an edition of these volumes from the 1930s, which I still have today, I read these two volumes in German. They influenced me very much, especially the second volume, in which Marx discusses the departments and schemes of reproduction. It was actually an important point for me. Suddenly I felt that there was something specific. The schemes of reproduction played a major role in my economic life. Jumping a little forward: My meeting with Kalecki many years later, in the 1950s when I was at the Institute for Training of Scientific Staff at the Central Committee of the Polish United Workers' Party, his first lecture which I listened to concerned not exactly, but almost the same matters, which then in turn turned me towards Kalecki. Besides, I think that the schemes of reproduction are – in a way – an opening of the door to economics, although one could also go back to François Quesnay, a physiocrat from the period of the French Revolution.

I had very little contact with university economics. At the Political Sciences Academy our lecturers were professors newly appointed by the communists. There was, among others, Zygmunt Jan Wyrozemski. In any case, I was not very enlightened when it came to economics, apart from the Marxist approach. I studied it much later, and thoroughly, only after my departure from Poland in 1968. I had to learn it quickly so I could teach others. I recall the statement by Stanisław Gomulka, who also left Poland at that time, who said that our advantage over the students was that we learned very quickly, much faster than they did. When a man knows the subject matter, it's easier to learn.

* Email: Grzegorz.Konat@ierigz.waw.pl. This interview was conducted in Vienna on 23 June 2015, a few months before Kazimierz Łaski passed away. It was first published, in full, in Konat/Smuga (2016), and was translated from the Polish, with a few omissions, by Grzegorz Konat. Thanks go to Ryan Woodgate for editing the English.

Did you have a mentor? Someone who guided you? Who exerted an impact on your views and career path?

The answer to this question is very easy. Michał Kalecki was and remains my mentor. Another man who influenced my views was Włodzimierz Brus. In 1947–1948, affiliated with the Central Committee, he organized a seminar on Marx. A few people participated in it. I do not remember who exactly, I only remember that Wiktor Herer was among them. Brus was the manager. He was my contemporary, but since he had been in Russia before and had already arrived with his diploma, he was seen as a much older colleague. This seminar also played a big role in my intellectual life. When Brus later became a professor at the Main School of Planning and Statistics, he offered me to become his assistant. So Brus had some influence on me, but his interests went in a different direction than mine. He was good at metaphysical matters – he was interested in what was always repelling me in Marx's theory, such as value, essence, form, etc. These are the remains of German philosophy: the phenomenon is not important, value is the essence. These issues related to the surplus value or commodity fetishism are quite interesting concepts, but they were not in my field of interest. I was more interested in quantitative things. I was very good friends with Brus. We wrote a book and a few articles together, so I believe it is my duty to say that Brus also had some influence on me.

However, it was Kalecki who had a real influence on me. He was a man characterized by independent thinking, which was unprecedented at that time [in Poland]. At that time, Marx was an omnipresent point of reference, while Kalecki gave an example of independent thinking: if there are such and such premises and this and that results follow from them, then it does not matter if Marx agreed or not. Incidentally, Kalecki often agreed with Marx, but it did not matter for his creative process. In addition, Kalecki attracted me with his closeness to Marx's reproduction schemes, which fascinated me and which Kalecki used, but in a creative way. He asked questions that Marx did not. In Marx's theory, when something is produced in the capital goods department, i.e. in Department I, it is invested in the next year. It runs itself like a perpetuum mobile. Kalecki, however, asked the question: well, but is there an investment *at all*? It is not automatic. This immediately changes the perspective. You can invest or not, and if you do invest – why? What are determinants of the investment decisions?

Incidentally, if John Maynard Keynes had known Marx's theories, things would have been easier for him. There are things in the *Treatise on Money* (Keynes 1930) which make clear that Keynes basically did not know Quesnay's or Marx's work. So he came to certain conclusions with great difficulty and wrote about them in a very complicated way – to the extent that sometimes even I do not understand him. I know he is right, but his thoughts are very complicated.

I think that Kalecki was a very important man, among other things in the sense of courage in thinking. The courage of thinking is a very serious matter. When a man enters into a certain current of theory and others say similar or the same things, he is a member of the group. But when he leaves the group and says something completely different than the others, he must have an inner conviction that he is right. Kalecki had this conviction. Sometimes exaggerated, but he had this conviction nonetheless.

Could you summarize your attitude towards Marx?

There is no doubt that he belongs to the great economists, in line with Adam Smith or David Ricardo. There were both rational and irrational threads in his theory. Irrational from the beginning was Marx's infatuation – his *idée fixe* – that all of economics to date was a fraud, and he alone would tell the truth, whereas the matter is actually

more complicated. Let's take the labor theory of value. It seems to me that this is a wrong trail, there is nothing to discover there, because this theory, the seed of which can actually be traced back to the classics, is just words. 'People produce more than the value of their labor power, so an additional value is created.' Such a theory can be made on the basis of any other factor of production. In my opinion, these are erroneous theses.

I believe that the most important thing in his achievements is that he saw the antagonistic nature of society and economics. In addition, Marx knew that money changed the economy very much, that there were fundamental differences between the monetary and non-monetary economy, but it was lost in the fact that he sought profit to be rooted in the difference between the value created and the value of labor power. This leads nowhere. Today, especially after Piero Sraffa's works, we know that such value theories can be produced in abundance for each factor of production. But the very thought that the capitalist puts money into circulation and receives more is important. He could not explain it. Today we can explain it, but then it was not that easy. For me, this is not a problem: if we take endogenous theories of money, then the surplus of price over costs, or profit, corresponds in fact, in an economy without foreign trade and without the state, to investments. If this is understood, it also means that it is understood how it all works.

Marx did not get there, but at least he asked the question. The second thing he was right about was rejecting Say's law. He intuitively felt that it was not right; that the statement that there can be a surplus of supply over demand is obvious. Of course, it can happen, but it does not have to be that way. Marx also tried to understand the fluctuations in production. He did not present a concrete, real theory of the cycle, but he understood well the process of accumulation, and correctly presented the revolutionary role of capitalism as an exploratory process. As for the problem of impoverishment of the labor force, I must admit that if you asked me about it before 1980, I would say that it was a blind path. But the last 30–40 years have definitely confirmed the theory that the share of wages in national income is falling everywhere, with a devastating effect on the economy. Here, Marx also had a good sense. He called it relative impoverishment. Incidentally, absolute impoverishment is also not so ridiculous, considering that in the United States from 1980 to today, the per capita production at least doubled while the median wage declined. And you can already see the effects, anyway.

As for Marxists, in my opinion, a large part of Marxist literature is a waste of time because it is devoted to attempts to defend the labor theory of value. Of course, there are also 'gems' among them – some are very competent. They, however, mostly come to such conclusions, which, given today's state of knowledge, can be reached without Marx. Basically, however, the problem is not Marx, but the mainstream. This is the true problem!

What are you currently working on?

I am mainly interested in theoretical discussions in my field, especially the development of modern monetary theory. Incidentally, during a conference in Buenos Aires in which I took part recently, I met a few very talented people who deal with this issue on a daily basis. For example, a very good, young, energetic Canadian, Marc Lavoie, also Mark Setterfield, who publishes with him, or a very good banking specialist from Columbia University, Perry Mehrling.

The second thing that fascinates me is the collective madness towards austerity that dominates the mainstream of economics. Sometimes one might get the impression that this is an attempt to divert attention from what happened in reality when the financial sphere developed excessively and caused great damage to the entire economy. By saving

the former – it is still unclear to me for what reason – the state became indebted, so that a crusade against the state's debt was started immediately. This is some kind of collective deception. Someone yells, 'Catch a thief!', but in fact it is not about this thief. Now you can see it also in Greece, where the 'help' given to this country benefited primarily private German and French banks. This country shows the bankruptcy of this type of policy. Meanwhile, no more than yesterday I heard somewhere that Greece had already been on the right path before even Syriza came to power. It is not true, it hadn't. From 2013 to this day [June 2015] the situation is just as bad: 25 percent unemployment and a steady decline in income.

There is a book by an English economist, Mark Blyth (2013), on the subject of austerity. In his opinion, European banks are much more 'poisoned' than the American ones, which were 'exposed' to the level of about 40 percent of US GDP, while French and German are in the order of two to three times GDP. Blyth claims that they are not 'too big to fail,' but 'too big to bail' – they cannot be bought because they are three times bigger than national income. In his opinion, these banks consciously led to such a situation, because the more of that 'crap' was in their assets, the stronger the pressure they exerted on the government to save them. This is some horror.

I am also interested in what I have called mainstream. The present era differs from the 1930s in that no lesson has been learnt from the recent crisis. The teaching of economics has not changed an iota. After the 1930s, and especially after the war (because there were other problems during the war), Keynesianism 'invaded' the universities. Bretton Woods was already the result of this change in the way of thinking. Today, however, inside the mainstream, there are such voices as Paul Krugman's or Joseph Stiglitz's, but this is just a rebellion *inside* the camp. These economists do not question fundamental issues. Everything revolves around the zero lower bound to the interest rate, the liquidity trap, etc. Meanwhile, the basic problem is not really the trap. The whole mainstream approach to economics is a problem.

One cannot deal with macroeconomics, starting with a single individual, just as one cannot say anything wise about the forest, examining individual trees. Approaching the topic in this way, it will not be possible to find general regularities. The same applies to economics: one person can save or not, but for the economy as a whole this is not true, because for one person to save, another one has to get into debt. If this is not taken into account, nothing reasonable can come out of a given analysis. Today, the Bank of England and others who deal with the subject in question do not leave a shadow of a doubt that there is no such thing as a money multiplier, which I also once taught. It turns out that the central bank is not able to control the interest rate and the amount of money at the same time. It is rather 'either or.' Indeed, it determines the interest rate, while the amount of money depends on how much it creates on demand, say for example by quantitative easing or as required by commercial banks. I am convinced that students are still learning about the money multiplier, and that simply is not in the real world.

Take, for example, the idea that savings determine investments. Even Krugman or Stiglitz – Nobel Prize winners who are some hope for the establishment – when asked if savings create investments, they also say: 'of course, yes.' And if the savings determine investments, it's supposedly good because if we save more, we will have more investment. Today we are seeing the effects of such thinking.

Who, in your view, are the most important modern economists?

Amit Bhaduri, who is a very important figure for me, Heiner Flassbeck, Marc Lavoie, as previously mentioned. The whole group, which is related to what is called Modern

Monetary Theory, is very good, but they exaggerate. They have one advantage, namely the view that money is not exogenous. It is endogenous. This is their strong point, because it reveals the important role of the budget deficit, and this is of course a very important matter. I also dealt with this: the need for a budget deficit or, in other words, proving that the economy cannot exist without a deficit. This is not some sort of absolute law, but because the private sector as a whole (households and firms) aims to save more than it invests, there are only two ways left: either German-type mercantilism – with devastating consequences for the world and, in the long run, for Germany itself – or a budget deficit. There's no other way. This is quite important. The weak point of Modern Monetary Theory is that they treat the private sector and the state sector as a whole.

The economic mainstream is ready to assume that the deficit is good during the crisis, but during the recovery, you need to have a budget surplus. These two tendencies, in their opinion, should be balanced with one another. The modern Maastricht criteria demand a permanent surplus, which only indicates that we are dealing with madmen. Surplus would mean, ignoring the rest of the world, that the private sector is in debt. Meanwhile, the private sector cannot get into debt. The private sector gets richer. That's what it's all about. This getting rich is a little like a Ponzi scheme, but all the same – it works. It does not work on a small scale, but it works on a global scale, and it works well. When we say that a man is getting richer, it often only means that he has more 'papers,' but at the same time he feels richer. And he actually is richer in the sense that if he decides to spend more, he can do it. If everyone wanted to spend more at the same time, it would turn out that they cannot, but as a rule everyone does not want to spend at the same time. And that's how the system works. At its foundation, there is a budget deficit which provides a promise of payment in the future. If everyone wanted to realize state debts immediately, the system would stop working. Similarly, if everyone wanted all the money they have, for example to buy bread or meat, there would not be enough supply. This is the essence of an economy based on trust.

This is Modern Monetary Theory. L. Randall Wray is a major 'guru' of this current [of thought], there is also Australian Bill Mitchell and the late Wynne Godley, and the Levy Institute supports them. Their publications are very important to me. I have already mentioned a lot of names. Besides, a very good economist is Malcolm Sawyer from England, the aforementioned Mark Blyth is also great. Martin Wolff from the *Financial Times* is also a very good economist. I value Charles Goodhart, a former member of the Bank of England's Monetary Policy Committee, and Adair Turner, former Chairman of the Financial Services Authority in the UK. Simon Wren-Lewis in Oxford is a wise man, though he is not a Keynesian. Paul de Grauwe, a Belgian, is outstanding in financial matters. There are some reasonable people, but they do not have much influence in politics, there are too few of them in comparison with the mainstream.

And if you had to point out the most important economist of the twentieth century, the one that shaped economics the most, who would that be?

For me, for sure, Michał Kalecki. But in general it's probably John Maynard Keynes. Keynes was a very prominent economist, although in my opinion Kalecki was a much better economist. He did not, however, have such an influence on economic policy. Unfortunately, even today, different names are found in textbooks – for example Arthur Laffer with his curve, which does not really mean anything – yet Kalecki's isn't there.

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The school that you describe is – broadly understood – post-Keynesianism. In your opinion, what are its most important advantages over the economic mainstream?

This is a matter of a whole and a part. Very serious people, those from the Olympus of economics, tell such things that you would have to fall on your head to believe them. Let's take Ricardian equivalence. Do people know exactly what the budget deficit is, so that its size can change their behavior? Fiscal policy is an important area of my interest but if you asked me what the budget deficit in Austria was, I wouldn't know it either. And yet, according to this theory, I should constantly check it, check it at least once a week to change my spending and savings plans accordingly. In the same way, when I enter the store, wanting to buy soap, I do not set my indifference curves, I only buy a certain brand, because some advertisement is stuck in my mind. I always buy this kind of soap and it seems to me that it should be so, but I have not tried all other soaps. What we do is, in fact, 99 percent imitation. Also in our behavior, we repeat what we saw with our parents – and not even what they said, but what they did. For example, a parent may say that children are not allowed to drive while drunk, but if a child sees that the father drives after drinking, he or she does the same, mimicking the parent. There is a beautiful German saying: *Richtet euch nach meinen Worten, nicht nach meinen Taten*, meaning 'do what I say, not what I do.'

Coming back to the topic, the most important thing is savings and investments, perhaps because it is so difficult to understand. Ms Angela Merkel and her advisors say that everyone must be like Germans who live without debt, and each year they have a surplus of 200 billion euros in their current account. But actually, it is 200 billion of debt, not in Germany, but somewhere else. It's the only difference. German companies are not in debt, the German state is not in debt, but others are in debt. In recent years, Poland has not been borrowing abroad so much, which is very successful. That's how it is: if someone has a surplus, someone else must have a deficit. This might be an export surplus, or – in other words – mercantilism, but everyone cannot have it at the same time, just as everyone cannot have a deficit at the same time. Besides, in fact these export surpluses are wasted money.

The eurozone now has a surplus of around 3 percent of GDP, and that is a lot. These are sums in the order of 200–400 billion dollars a year. What's the reaction? Over time, the currency should appreciate. If, for example, the appreciation rate is 50 percent, then what one has in foreign currency is worth 50 percent less. There are calculations that show that the Swiss, and of course Germans, have mastered long-term accumulation of surpluses. Then there are the Chinese (but this is another matter, because it is a very poor country), the Netherlands, which in this respect is even more aggressive than Germany, Finland – but it is a tiny economy. The appreciation of the currency means that what has been accumulated, as a result of the appreciation of the domestic currency rate, begins to 'run away,' and when we sum up these surpluses, it turns out that some part has disappeared. Besides, if, for example, Germany had a foreign trade surplus of 5–8 percent of GDP for ten years, then for the next ten years it should have a deficit in order to rebalance its net foreign investment position. But if they were to have a surplus of imports, they will lose jobs, first and foremost. No country would agree to that. So it is a fetish for abstract wealth. 'We have a 200 billion surplus!', they say. You have nothing. These are mere papers!

The inability to understand this problem in Germany may be, to some extent, due to the language. *Schuld* means 'debt' in German, but also 'guilt.' Even the German title of Dostoyevsky's well-known work, *Crime and Punishment*, is '*Schuld und Sühne*.' This situation probably comes from the fact that in the distant past, when someone had a debt, they

put him in prison, among other things, to put pressure on the family. This is not the case in Anglo-Saxon languages, because debt has nothing to do with guilt, and in Polish *dlug* also has no such connotation. Debt is debt, the debtor is not a guilty person. But as educators, of course, we say not to make debt, do not take loans. I am also convinced that if we asked anyone in Poland – on one or another side of the political spectrum – he would also reply that both the budget deficit and debt are bad.

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Do you think that state intervention in the economy is necessary?

Absolutely necessary! First of all, it is essential in creating real development conditions. One of my friends, Professor Herbert Walther, once said at the time of the systemic transition in Central and Eastern Europe that lawyers should be sent there instead of economists. He was right about that, because the most important thing in transformation is the creation of social norms. If it is not done, then what has happened in Russia is happening, or in Poland – although to a lesser extent. But also here, gangs are coming to power, oligarchs and corruption prevail. Some would like to restrict the state only to the role of a ‘night watchman’ and the police. But the economy itself requires state involvement.

For example, it is difficult to imagine that the distribution of income would be adequate without the help of the state. In fact, it is necessary for this purpose, as one of the conditions is an increase in wages more or less equal to the increase in labor productivity. This requires nominal wages to grow at the same rate as physical labor productivity plus inflation. It would be good to have agreement on this matter. However, how do you get such an agreement? It is almost impossible, but elements of such consent exist, for example in the social market economy. Large national trade unions are aware that they cannot win for everyone. Railway workers can win by themselves, or pilots can win alone, but all-inclusive unions cannot. The fact that one is in management forces him or her to take some responsibility. So, on the one hand, we have trade unions that are powerful but aware of the effects of their actions. On the other hand, there are employers, and there is a state that somehow helps. Without the state, it is difficult to imagine that it would work: wages are then left behind, which is not only a social problem but also an economic one. Those who produce must also consume – not only for social reasons, but also to create an outlet for production. If real wages lag behind labor productivity, then consumption is lagging behind output and we have to increase it somehow. Theoretically, we can invest, but why should an entrepreneur invest, if he or she cannot sell anything?

In summary, the state is absolutely necessary. Paul Samuelson once said: we know that money is only paper, but this knowledge is taboo. If you tell everyone about it, there is no force to stop the demand for printing money. I am not sure if this is correct. Economic issues are not the sole basis of the state’s decisions; there are many others, such as national defense. If knowledge is widespread in other areas and the system works, should there be a taboo about money? Perhaps there is some merit in the claim that if everyone knew that the budget deficit is essential, they would demand more and more expenses. But I do not think so. There is a famous work by Abba Lerner (1943) on functional finance, in which he argues that the state should take care of full employment and price stability. Meanwhile, it is said that when the central bank buys government bonds, it is bad. But when commercial banks are insolvent and the state saves them, is it good? So states are not allowed to have deficits, because they would be subject to ‘moral hazard,’ but banks are allowed?

Is there an existing, or perhaps a hypothetical, model of the economy, or maybe some country that you would point out as a role model?

I think that we were close to such a model – keeping in mind all the imperfections of the capitalist economy – in the years 1950–1970. It was the golden period, the best in the history of capitalism, with a very high rate of economic growth. The capitalist world then showed that it could function without unemployment or almost without it. There was also a portion of fear of communism that paralysed Laffer-type madmen or early Margaret Thatcher’s ‘There Is No Alternative’ followers. However, when it turned out that this communist bogeyman did not work economically – because it was morally compromised much earlier: in Hungary, in Czechoslovakia, etc. – old slogans like ‘free market’ or ‘monetarism’ came back to the fore. The order began to break. The divide between investment banks and retail banks had then been demolished. And even before that, the so-called shadow banking system came into existence.

It seems to me that a good solution would be a social market economy, but without ideology, because ideology is not good. It is important that there are elements of cooperation between labor and capital. The state must have a great influence on the economic situation. International cooperation, and this is very important, is also crucial because, as a matter of fact, the possibilities of action of individual, even large countries are currently very limited. In the event that a small country, such as Poland, was to pursue some kind of independent economic policy, the speculation against its currency would start immediately, causing difficulties in the capital account, which – with the modern degree of globalization – are able to finish off any state. So you also need some common architecture, such as, for example, Bretton Woods once was. Exchange rates did not go crazy back then, while currently 90 percent of financial markets’ turnover is currency speculation that throttles the economy. Meanwhile, the European Union – which is independent – easily covers its import needs by its exports and would have the freedom to act. Unfortunately, it does not use its freedom because it has erroneous goals: to reduce sovereign debt and have budget surpluses, that is to suppress the economic situation. For what? No one knows!

I think that Kalecki was close to understanding this when, just before his death, he wrote an article with Tadeusz Kowalik titled ‘Observations on the “crucial reform”’ (1971). He had such a good sense of history; such a feeling that capitalism is changing. Well, but such capitalism just happened to be ending then, so when Kalecki wrote about it, the capitalism undergoing ‘crucial reform’ was already all over. But since you are asking me how it should be, I do not see any other way out. For me, the free-market American economy is terrible, but central planning is probably even worse. In one you stand in the queue for work, in the other – for goods.

...

Do you think that return to that ‘golden age’ of capitalism we are talking about is possible?

If it is possible, I do not know, but it should be our goal. Considering, however, that, in the US, the choice is between Wall Street, which seems to support the Democrats, and the oil industry that supports the Republicans, I doubt whether it is possible. There is a strong protest against what is happening, but we cannot see even the shadow of a positive program. People do not want what we currently have, but no one is providing an alternative. Besides, if 1 percent or fewer of the richest people have such huge resources today, the press, the media – and now the one who has the media has people’s souls – democracy becomes meaningless. Besides, those who protest, or the left, do not know what they want. What kind of left is it anyway: Gerhard Schroeder in Germany or Tony Blair,

and even the Miliband brothers, in the UK. So I'm not a big optimist on this issue, but there is nothing else to do but to tell the truth.

If we would like to start an economic policy that goes in the direction of such a better system, then what, in your opinion, should we start with? What exactly should be done?

I think that the only hope is in education. The media are dependent on the powerful, they are their property. So it seems to me that it is only possible to work at the foundation, to proclaim the truth. Of course, you can go to the workers, but they prefer to listen to television, and on television they give away prizes for saying how many is two times two. From a certain point of view, dictatorial governments are less durable, because they control bodies, but not souls. However, in this system, i.e. capitalism, souls are controlled. This is the whole problem, not how to regain power over people, but their consciousness. This is very difficult and I think that the only way out in our field is to explain that changes are needed. Not revolutionary, but you need a system that better serves people, including capitalists. However, Kalecki was right, that they subconsciously do not want full employment, because in such conditions the workers become recalcitrant, while when there is unemployment, the employees are grateful that someone is hiring them, even on the so-called junk contracts.

Do you think that it would benefit the education of economists if more history of economic thought and economic methodology were included in the syllabi?

I think there should be more of both history of economic thought and history in general, because today's economists have no idea about the world. Mathematics, models, curves, etc. are all that counts for them. Whereas when one studies history, he or she can immediately see that there is no such thing as equilibrium. The history of thought is important, but even more – the economic history, the discussion of economic crises from the nineteenth, twentieth, and twenty-first century, the specificity of developed and undeveloped countries. This, unlike those bloodless models, would give economists much more insight.

Precisely. Would you then agree that economics is currently too mathematicized?

This is not even the case, because Kalecki was also mathematical economist. I would say that it is dehumanized, desocialized, and this is important. Economics is practiced as an exact science, which it has never been, is not, and will not be. They tell us that Max Planck began studying economics, but after a year he said it was a very strange discipline, because the result depends on whether the entities think about something or not; whether they are doing something or not. It is as if the movement of a planet depended on whether it wants or does not want to revolve at a given pace. At the aforementioned conference in Buenos Aires, someone said that in economics we have to act based on a future that we do not know, and what helps us is, among other things, money, because we are concluding contracts for the future: we take a loan because we believe that we will work and earn until the debt is repaid. And the bank also believes us. But in the meantime we can lose the job. The future is unknown. This cannot be grasped mathematically. We do not know everything and in this uncertain environment we must act. Therefore, economics is such a complicated science.

Another fundamental thing is that in economics you cannot do experiments, like they do in physics. Historical experiments are not very good either. Soon it will be 100 years since the Great Depression, and there is still no definite answer as to how it happened. History is to some extent an experimental field, but very limited so. For example, the 1950s, 1960s, and 1970s showed that it was a period of very good development of

capitalism, low unemployment, labor migration first from Italy, then from Turkey, and rapid growth in the standard of living. Even the development of centrally planned countries was not bad. But this is another matter.

...

What is your experience in advisory functions?

I have only one experience that comes to my mind, and it is very bad. Incidentally, Kalecki had a lot of experience in this, and also – very bad. Of course, I do not compare myself with Kalecki. In 1989, when the government of Tadeusz Mazowiecki was established, Jerzy Osiatyński, my assistant from the period before my departure from Poland with whom I kept in touch all the time and who is still my great friend, became one of the ministers in this government. He asked me to write an expert report. So I came to Poland for a while, and it was a beautiful breakthrough period, and I wrote this report, predicting that production will drop by some 15–20 percent. Not because I'm so smart – I'm not at all – I just took Kalecki's methodology: I knew what the composition of profits would be, etc., and then I used the data obtained from some high-ranking official from the ministry who had no idea about the theory, but he knew everything about the economy: what the balance of foreign trade will be, what investment will look like, what the deficit will be, etc. I assumed that the division into savings and consumption will be more or less constant, and on this basis it turned out that this 15–20 percent decrease in production will take place.

I made a mistake, because the drop was 18 percent in two years, and I predicted that it would happen within a year, but I still think that this forecast came out pretty well. I handed it over to Osiatyński, and then Jacek Rostowski, who was an advisor to Leszek Balcerowicz, responded in an economic magazine, *Życie Gospodarcze* [*Economic Life*], with the suggestion that I should sign up to the economics 101 course at the London School of Economics. About two to three years later I met him [Rostowski], and it turned out that he did not quite know what investment is. Only more or less, but not entirely. It turned out that my forecast was accurate, but it did not help. Then I tried to work in this direction in other countries of systemic transformation: We went with Bhaduri and Flassbeck to, among others, Warsaw, Bucharest, Prague, and everywhere we tried to prevent what happened, that is, putting into practice the principle that the best industrial policy is no industrial policy. As a country repair program, this rule does not work at all. Today it can be said with all certainty that China, which then was only at the beginning of its rapid development and now is the second economic power of the world, gave a good example, i.e. it was possible to take a different path. Should other countries have followed China? I doubt it. That system absolutely does not suit me, but it proves that there are different ways. TINA ('There is no alternative') is idiocy, because the alternative always exists.

...

I do not know if Balcerowicz really believed in 'shock therapy,' but he is a dogmatist, just like those dogmatists that used to be among the Marxists. Each of us has a bit of conviction that his idea is the best. However, one must be self-critical. I have learned in my life that one can never be sure to be right. This is also the essence of democracy. Democracy is when those who rule are not sure they are right, and that's why they respect the opinion of others. Those who are 'definitely right' are the worst enemies of humanity. Regardless of whether they are Marxists or Islamists, if they think that 'they are absolutely right,' they cannot be tolerant. Because if there is only one right point of view, how can one accept the existence of another? You must kill him. This is a very important matter, and the fact that one fooled himself or herself does not absolve this person. After the fall of

communism, everyone felt that they had fooled themselves, including Balcerowicz, but he fooled himself only once, now he 'knows for sure.' But I, like many others, know that I can fool myself again, because I cannot be sure that I'm right. This is perhaps the most important lesson one can get in life. This results in respect for a different way of thinking and readiness to admit to an error. Truly wise people always say: 'I do not agree with you, but I will fight until the end so that you have the right to express your opinion.'

Kalecki, when asked whether it is worthwhile to consult governments, answered: Yes, because all the advice you give will leave traces in writing. Incidentally, that is what happened with my aforementioned report, because it appeared in print. So, by chance, I became the only economist in the world who predicted a drop in production in the year of transformation in Poland. Returning to Kalecki, he said jokingly that while all governments ignored his advice, it was different in Israel. In Israel, everything that was done was the opposite of what he advised. Kalecki had no illusions about how stupid people were. He never gave an unsatisfactory grade to students, he only sent them away to come back to the exam when they are better prepared. I always told him: 'Professor Kalecki, this way you create an anti-incentive for those who learn.' And he replied: 'I have seen so many idiots in the highest positions, and you demand that I would fail a student who is just at the beginning of his or her life?' And he was right.

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