

## I. ARTICLES

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### THE ROLE OF THE STATE IN THE ECONOMY\*

#### I. FOREWORD

This study at its very core has two premises. The first is related to the heated discussion—brought about by the recent financial crisis and its consequences—on the basic categories and mechanisms of market economy in the world of capitalism as an economic system. The second, in relation to researching this study, is *pro domo sua* in nature and tied to the ongoing debate in Poland on the mechanisms of further growth in the Polish economy. This debate has intensified along with the presentation of government documents, first in the form of the [Morawiecki] Plan and subsequently in the elaborated version—Strategy for Responsible Development (further to be known as either the Plan or Strategy).

The two levels of discussion indicated join among others, questions about the role that the State should play in the contemporary market economy. The gamut of possible solutions ranges from libertarian minarchism, where the State does not play any active role in the economy (limiting itself to absolutely minimal regulatory functions) to radical etatism, where the State plays the role of an almost omnipotent institution whereby it plays a very developed regulatory and allocative function in the economy together with the role *de facto* as executive, or also one responsible for the economy.

#### II. GLOBAL AND POLISH CONTEXT OF THE DEBATE ON THE ROLE OF THE STATE IN THE ECONOMY

In the global context the period in which the global economy finds itself from the beginning of the last crisis—that is almost a decade ago—can be illustrated as one of intensified turbulence on the markets. Two particular contexts can be observed here. The first, relates to the ongoing economic situation. The second, one of greater significance for discussion on these turbu-

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lences, or rather processes of change on the markets, relates to the question of long-term transformations of the world economy—not only economy—and signs of even more significant events than purely temporary falls in prosperity. In this context there appear also issues such as the role of the financial sphere and its influence on the so-called real world and changes in the nature of economic activity analysed in categories known as long cycles or threats of secular stagnation, shifting of the centre of economic world activity towards the Pacific Ocean and the associated role of China, and finally, as foreseen by some prognosticians, substantial changes in civilisation.

The above-mentioned turbulences in the context of economic reality accompany those related to economics as a science. The range of views on the State of the contemporary economy on the one hand argue for the concept related to signs of anti-economism leading to the negation of the scientific status of this discipline, to on the other, (in truth not particularly popular in recent years) those who advocate a particular form of economic triumphalism. The latter can be said to have a predilection for relating all the problems occurring in the real world of the economy either with a mistaken application of theoretical precepts of economics in practice, or in fact ignoring these and therefore not seeing the need for significant changes in the field that they study.

The majority of those engaged in the debate on the state of the contemporary economy, without falling into either of the above mentioned extremes, in general concur with the opinion that the changing economic world brings about the need for a revision of this science also at the level of paradigms, relating in particular to observations on the neoliberal paradigm that has dominated more or less since the mid-1970s.<sup>1</sup>

The second premise in preparing the following study is of a local nature and related to the ongoing debate in Poland on the mechanisms responsible for further growth in the Polish economy. This debate, as already indicated, has intensified in association with at first the establishment of the Plan and in its subsequent elaborated version as the Strategy for Responsible Development. This strategy in the opinion of its authors and advocates with Mateusz Morawiecki at the helm, is to play a crucial role as a document in terms of a policy for the development of socio-economic growth in Poland for the long-term. Here it is apt to note that this is a rather ambitious supposition, especially in the eventuality of subsequent changes on the Polish political stage.

For in Poland, though not only, it has become a tradition to reject—or at least approach with great scepticism—almost everything that was developed by representatives of another political option. This constitutes a serious difficulty in the realisation of strategic work, where among others an accordingly long-term horizon is necessary. Alas, an equally bad tradition, where even within the ranks of the same political formation the planning and announcement of strategic documents (such as previously the Hausner Plan or the eponymous study by Michał Boni ‘Polska 2030. Third cycle of modernity:

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<sup>1</sup> M. Ratajczak, *Kryzys gospodarczy a rozwój ekonomii jako nauki*, in: A. Grzelak, K. Pająk (eds.), *Nowe trendy w metodologii nauk ekonomicznych*, vol. 1: *Problemy ogólne metodologii nauk ekonomicznych*, Poznań: Wydawnictwo UEP, 2010: 290–309.

Long-term Development Strategy for Poland') becomes rather quickly more akin to an archival and bibliographical document than one of operation that is consistently turned into specific action in the economic and social field.

Both the plan and the Strategy are based on the concept of significant activity on the part of the State as a regulatory and allocative entity. The role of the State therefore is to go far beyond ensuring appropriate frameworks of regulation hitherto realised that lend themselves to the activity of the private sector as well as the realisation also of activity that promotes macroeconomic policies. The State, according to the Plan and Strategy, is not only to be efficient and citizen-friendly, but also is to be—as set out in the Strategy—‘a State that is able to make appropriate choices’.<sup>2</sup> In this context the making of choices means that among others, the State has the right, and according to the creators of the Strategy, in fact a responsibility to indicate those branches or sectors in the economy that in the short-term and in particular in the long-term have the greatest opportunity to make a contribution to the realisation of the main aim of the Strategy, to ‘create conditions for the growth of earnings of wage earners in Poland and at the same time a growth in cohesion in the social as well as the economic and territorial context’.<sup>3</sup>

According to the Strategy, the State able to make appropriate choices is not merely an entity that indicates or indeed defines particular areas, a task important for further growth and one that shapes the workings of regulation so as to ensure for the relevant areas the best possible conditions for their function. Moreover, the State is to undertake specific action in directly allocating resources through institutions such as the Polish Development Fund specially created for this purpose, or through economic bodies by nature of their proprietary structure that are directly dependent on the State. The following fragment from the Strategy perhaps best illustrates an overview of the role of the State in the economy:

State institutions [...] actively and selectively create the conditions for growth (promoting economic growth), influence the best means of exploiting comparative advantages and the creation of foundations for permanent development on the basis of its own resources of growth and the growth of new activity. State institutions without responsibility for business decisions of private entities become a model for the activity of entrepreneurs, thereby making possible the growth of new branches and fields in the economy as well as promoting the exploitation of market mechanisms that stimulate the creation and introduction of new technological solutions.<sup>4</sup>

This brief study does not have as its aim a detailed or even abbreviated presentation and analysis of the Plan and Strategy, but rather an examination of the relevant documents (not in terms of specific clauses) in the context of doctrinal principles in the broader historical context. The fundamental question related to the above therefore is that of the role the State should

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<sup>2</sup> Ministerstwo Rozwoju, *Strategia na rzecz Odpowiedzialnego Rozwoju*, Warsaw: 2016, <[https://www.mr.gov.pl/media/23749/SOR\\_29072016\\_projekt.pdf](https://www.mr.gov.pl/media/23749/SOR_29072016_projekt.pdf)> [accessed 7 January 2016] (further as: *Strategia*): 26.

<sup>3</sup> *Strategia*: 29.

<sup>4</sup> *Strategia*: 23.

play in the market economy (significant also in regards to the study of the discussion on the system and its principles mentioned at the beginning of this discussion). This in turn in the context of the Polish economy leads to the issue of attempting to make up ground in respect to the most developed countries, an economy that has experienced functioning in conditions of a non-market centralised system.

### III. HISTORICAL BASES OF THE DEBATE ON THE ROLE OF THE STATE IN THE ECONOMY: FROM MERCANTILISM TO KEYNESIANISM<sup>5</sup>

A complete discussion on the role of the State in regard to the economy could be, and in principle ought to be, one that covers almost the entire panoply of the history of economic thought or the history of economic principles. In principle therefore from the very beginnings of economics in its contemporary understanding this particular view of the State's role has become one of the key determiners of further divisions of economy into schools or directions. In this regard, taken from the concept of an action causing a reaction in the mechanics of Newton<sup>6</sup> known to economists, in the history of economics, the rise of a conception according to which the State has a defined role (significant or not) shall sooner or later lead to the rise of a contrary conception. In this respect events in the real world often play the role of a catalyst that lends itself to the birth of subsequent conceptions, which in turn undermine faith in the definitive and authoritative nature of earlier theories or conceptions.

In the study presented for both reasons of its aims and nature as well as limited space it is not justified or indeed possible to conduct a full and exhaustive review of all the basic economic concepts in terms of examining the role the State in the economy. Nonetheless, it is worth recalling some of the particularly important ideas.

It is necessary to begin a historical review from mercantilism in the seventeenth century. Mercantilists are decidedly against liberalism in the economic sphere. The State is to protect and promote national economic institutions with the help of instruments such as tariffs and other means of protection. The State is also to create conditions to promote the growth of individual entrepreneurship, among others by developing what is known today as infrastructure. In general terms the State is to be clearly present not only as a figure of regulation but also as a participant in allocative activities.

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<sup>5</sup> This fragment is in part based on: M. Ratajczak, *Ekonomia jako nauka*, in: M. Sławińska, H. Witczak (eds.), *Podstawy metodologiczne prac doktorskich w naukach ekonomicznych*, Warsaw: PWE, 2008: 19–32.

<sup>6</sup> References to Newton's theory of mechanics are based on the fact that economics from the very beginnings of its development in the modern world remained under the strong influence of what at times is known as *physics envy*—envy of physics and its scientific status as typically understood for sciences. In economics as a result, especially in the view of its critics, to this very day there are visible references to mechanistic-deterministic paradigms, which—again according to its critics—do not lend themselves to the development of economics as a social science.

From the point of view of a contemporary perspective of various economic models, mercantilism can be viewed as the historical foundation of the concept of an etatist economy. This brief reminder of the mercantilist view of the economy is important in as much that there is no lack of opinion that one of the causes that led to the last financial crisis was the realisation in practice by particular governments declaring an adherence to the liberal tradition de facto a particular neo-mercantile policy. A particular example of this was to be the United States of America from the times of Alan Greenspan as the head of the Federal Reserve and the policy conducted of low interest rates.<sup>7</sup>

Among contemporary and potentially threatening serious consequences for the entire world economy references to the tradition of mercantilism are the clearly protectionist announcements tied to the economic programme of Donald Trump. In writing on neo-mercantilism it is also worth noting that it is also close to some of the contemporary opponents of the idea of universalism of economic regulations. According to these views, in poorly developed countries, especially in reference to branches or sectors of particular significance for a given economy and at the same time those that are at a low level of growth and open to strong internal competition, the State has in fact a responsibility to undertake protectionist activity.<sup>8</sup>

The views of mercantilists do not become the basis of perspectives dominating to this very day on the functioning of the market economy. First the French Physiocrats and then first and foremost representatives of the English classical economics with Adam Smith at the forefront, presented and developed the idea of the market economy based on self-regulation and tied to an adaptation of demand and supply.

The role of the State defined as a watchdog was to be on the one hand a concern to ensure that the law was observed by making use of the economic freedom of a given entity and on the other, a very limited economic activity tied to the development of infrastructure and protection from the consequences of monopolies taking place in the economy. In this beginning stage of economic liberalism taking shape there clearly became formulated—highly important for all as well as contemporary liberal conceptions—not only the concept of the universal application of self-regulation, but also the uniqueness of what today is known as the deceptiveness of the market and which could possibly justify other forms of regulation based generally on the activity of the State. In other words, this is a concept according to which a natural advantage of self-regulation takes place in the workings of the economy and as Friedrich August Von Hayek defined it, a spontaneous order,<sup>9</sup> related to freedom over external regulation, which in general has to limit freedom.

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<sup>7</sup> N. Lewis, *Keynes and Rothbard Agreed: Today's Economics is Mercantilism*, 2014, <<http://www.forbes.com/sites/nathanlewis/2014/01/23/keynes-and-rothbard-agreed-todays-economics-is-mercantilism/#1813c32c3983>> [accessed 7 January 2017].

<sup>8</sup> D. Rodrik, *The New Mercantilist Challenge*, Project Syndicate, 2013, <<https://www.project-syndicate.org/commentary/the-return-of-mercantilism-by-dani-rodrik?barrier=true>> [accessed 7 January 2017].

<sup>9</sup> F.A. von Hayek, *Druga do zniewolenia [The Road to Serfdom]*, Warsaw: Arcana, 1998.

Writing on the classic economy from the point of view of discussion on the role of the State in the economy it is worth to remember John Stuart Mill. In contrast to contemporary neoliberals, who generally accept that the market ensures according to the value per se, that is in fact justly, of the remuneration of particular elements of production,<sup>10</sup> Mill and his followers—identified with so-called social liberalism and social roots—perceived the need for the State to undertake actions that correct the initial distribution. In this context the role of the State as an entity of redistribution in itself could be the subject of a separate and very comprehensive study.

Here it should be noted above all that, in the context of both Polish and world discussion on the future of capitalism, it is in fact the question of the distribution of economic so called effects and the related role of the State that play a very significant role. It can in fact be argued that the mass criticism of neoliberalism to a significant degree has its wellspring in identifying it with the acceptance and realisation of activity perceived by a significant part of public opinion as one leading to an unjust economic distribution.

As already noted, the appearance also of the growth of various conceptions in respect of the economy and theories, will sooner or later lead to the establishment of critical conceptions that are at the same time competing ones. In relation to classical economics such a criticism appears among others on the part of Simonde de Sismondi, of the Historical School of Economics. Sismondi first and foremost refuted the concept of universality of economic principles in respect to seeing differences in the level of growth of particular economies. In his view the concept of a free market and total liberalism in the economic sphere are correct in respect to rich countries, but not those at a low level of economic development. The contemporary version of the argument on the universalism of the economy is a discussion on globalisation and its consequences for States at various levels of development.

The Historical School of Economics questioned the concept of universalism of economic principles, basing on the thesis that the economy cannot be separated from other spheres of social activity such as culture, religion or politics. As a consequence—there is no such thing as a universal model of the economy beyond the sphere of very general premises. It is worth noting that in this day and age in the contexts of at least the discussion on the vision of further activities for the purposes of EU integration there is no lack of voices suggesting that it is necessary to accept certain significant differences between Member States, arising also from broadly understood cultural differences.

The conception therefore of a so-called Europe of different speeds or a vision of selective integration to some extent is based on the recognition that not only and even not necessarily the differences in the level of economic growth and maturity of the economic market are a means of justifying a departure from the vision of integration as a process embracing every Member State in all areas to the same extent.

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<sup>10</sup> T.I. Palley, From Keynesianism to Neoliberalism: shifting paradigms in economics, in: A. Saad-Filho, D. Johnston (eds.), *Neoliberalism—A Critical Reader*, London: Pluto Press, 2005: 20–29.

In its fundamental stream, economics at the turn of the nineteenth and twentieth centuries rejected various conceptions that were critical towards classic economics and the vision of the State's role and market in the economy as defined by it. Both the Mathematical School of Economics and the Austrian School, as well as—particularly important in terms of the influence on the growth of the economy up to contemporary times—neoclassical economics, analyse the market economy in categories of almost a perfect self-regulation that may have at times disturbances, mainly of an exogenous nature. In the neoclassical model the role of the State does not at all differ in any respect from that defined in classical economics of the role of the watchdog.

It is in fact neoclassical economics and its precepts that constitute the foundation of so-called contemporary economics of the mainstream, whose fundamental links such as New Classical Economics, Economics of Supply and Real Business Cycle theory or for that matter Monetarism, particularly important in its own right as an influence on the practice of macroeconomic policies in many countries. The above shall be treated as the theoretical foundation of neoliberalism in the sphere of economics.

In the context of bringing forth the historical roots of contemporary arguments on the role of the State in the economy it is also worth noting five particular links. The first, the conception of Welfare Economics as proposed by Arthur C. Pigou, who was convinced that particular elements of the distribution of earnings can be responsible for the growth of wealth, even at an absolutely unchanged scale of the so-called national dividend, being the paradigms of today's national income. At the same time, the above-mentioned was fully aware of the fact that an excessive activity on the part of the State tied to the redistribution of income can pose a threat to what is in contemporary times known as economic growth.

In mentioning Pigou, it is worth recalling that an integral element of his conception was the rejection of the idea of money as one not being subject to the law of diminishing returns. This is of particular significance also from the point of view contemporary discussion on the potential universal effects relating to the individual wealth-income situation of redistribution programmes such as the Polish 500 plus. Assuming that money has a decreasing end use it is difficult to expect the very same effects in the case of directing money to those with low income as to those with an income significantly above the national average. In the case of the latter in purely economic categories the appropriateness of redistribution is at the very least a controversial one.

The second concept is ordoliberalism in the context of which the fundamental regulations of liberalism in the economic sphere and decided enmity towards State intervention in the economic sphere are coupled with the conviction of the essential nature of the active role of the State as a guard that respects the rules of social and economic life on the part of all its institutions. The market and economic self-regulation are in the view of ordoliberalism treated as instruments that are to be used for the realisation of social aims tied with the growth of wealth and assurance of opportunities of self-realisation by particular individuals.<sup>11</sup>

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<sup>11</sup> E. Mączyńska, P. Pysz, Liberalizm, neoliberalizm i ordoliberalizm, *Ekonomista* 2014, no. 3: 221–247.

In the sphere of systemic solutions ordoliberalism finds expression in the concept of a social market economy. According to the Polish Constitution, Article 20, the economic system was defined in fact as one of social market economy. Unfortunately this key concept in the categories of political system is unusually rarely used in Polish public debate. Proof of this is also the Strategy, where this concept in truth appears twice, but only in name and not as an important analytical category. The first time the concept of a social market economy appears is in the Strategy in the context of a brief reference to the Europa 2020 EU strategy.<sup>12</sup> The second time, already in a Polish context, through a very general though in fact broad indication that the Strategy does not constitute a departure from the general frameworks of social market economy.<sup>13</sup>

Another conception is the creative destruction tied to the figure of Joseph Schumpeter. The State, according to Joseph Schumpeter, is on the one hand the source of threats for the undisturbed course of the process of a creative destruction and on the other—an institution that is able and even one that should develop in particular its own infrastructure of science as an important source of innovation. Threats to creative destruction on the part of the State are tied with the activity of regulation and are the consequence of the burgeoning growth of bureaucracy. This both makes it difficult and at times in fact impossible the appearance on the market of new products, ideas, organisational solutions as well as being a barrier in the elimination of that which ought to be the subject of this destruction.

It is in fact the concept of Schumpeter that would appear to be particularly of interest in terms of the discussion on the possibility of the State taking effective action as a driving force behind innovation—beginning with the question as to on what basis can one assume that the State more effectively than the mechanism of self-regulation of the market is able, especially in the day and age of large and mercurial change in the economic world, to define what and by whom should be developed and produced. Finally, there is the question concerning the possibility of successfully matching a bureaucratic perspective typical for administrative institutions with one typical for the business world.

In writing on the question marks related to the bureaucratic means of creating a stimulating innovation it is worth recalling alas, the poor example as experience has shown of the Lisbon Strategy, which in its assumptions was to be responsible for making the EU the most dynamic and competitive economic zone in the world. Both in categories of success and effect related to comparing the financial resources spent in order to achieve the desired effects, the Lisbon Strategy proved to be an example of a type of wishful thinking, which alas, is easily done in the sphere of political declarations.

Two further historical conceptions of economics—Institutionalism and Keynesian Economics, stand in clear opposition to the neoclassical vision of the functioning of the economy. For Institutionalists the State was one of the particularly important formal institutions, whose omission or marginalisation

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<sup>12</sup> *Strategia*: 8.

<sup>13</sup> *Strategia*: 23.

in discussion of the functioning of the economy is seen as a mistake, insofar as the strictly related with the problem of the State functioning of power both in the context of its administration and the subordination of the interests of various social groups.

Both for the initial Institutionalists and their contemporary followers in the school of the so-called Old Institutionalism and the New Institutional Economics is of particular importance, however, the concept of institution understood not in terms of organisation, but various types of norms or regulations that influence the behaviour of economic agents. In this context of particular importance are institutions of an informal nature such as customs, traditions and rituals, whose greater part have traits of so-called long-term phenomena that not only did not allow for codification and at times are in fact in conflict with formal regulations but in addition function in society in the long-term to a large extent independent of economic changes taking place or indeed ones to do with the socio-political system.

It is also these systems that to a significant degree have an impact on such an important element as social capital. Here, referring to the Strategy, it is worth noting that in truth among the identified five main traps of development found in it there is that of the weakness of the institution—though in principle it was reduced to the question of the weakness of the institution of the State especially as understood in terms of specific institutions and organisations. Issues in such institutions as trust and social capital based on it, is in the Strategy rather broadly taken into account—though first and foremost as an element pertaining to areas of influence in respect to the attainment of the Strategy's aims. Not wishing to negate institutional weakness as understood in the Strategy, in the opinion of this author the study of a greatly more important problem would appear to be in fact the weakness of the institution in the social context, foremost along with the low level of citizens' trust towards the State, the State's trust towards its citizens and citizens' trust among themselves.

With all due respect to Institutional Economics that in contemporary times though divided between two rather highly conflicted streams, is one gaining popularity, it is the economics of John M. Keynes, which has become the greatest challenge for the neoclassical vision of the market economy and the role of the State. The above, in his conception of economics proposed the idea of linking the market as a fundamental mechanism regulation with that of the activity of the State, though a great deal more prone to problems than established in the tradition of classical and neoclassical economics.

The State through its active macroeconomic policies should support and complement the market, thereby protecting the economy from the danger of equilibrium in a situation of an incomplete exploitation of the means of production. Thus, in contrast to neoclassical proponents, disturbances in the workings of the market in the model of Keynes may also take on an endogenous nature and the State should not limit itself to the role of watchdog. Keynes conception became the fundament of the idea of interventionism and in the first more or less three decades after Second World War it dominated both the theory of economics and macroeconomic policy in many countries.

#### IV. THE ECONOMIC ROLE OF STATES FROM THE 'GOLDEN' THREE DECADES TO THE GREATEST CRISIS AFTER SECOND WORLD WAR AND ITS CONSEQUENCES<sup>14</sup>

The period of Keynesian domination in the sphere of economic theory as well as at least in declaration, the macroeconomic policy of many countries, is often described as the golden age or thirty glorious years. Naturally in reality not the entire period, or for that matter, everywhere and for everyone was this a time of an ending prosperity as the above would appear to suggest. Indubitably though, this was a period of significant socio-economic growth in market economies of highly developed countries.

The Golden Three Decades is also identified with the functioning of the so-called Fordism in the area of labour relations, which was based on a far-reaching compromise between the world of labour and that of capital.<sup>15</sup> According to the concepts dominating in the period of the Golden Three Decades, the State was not only to fulfil a fostering role for its citizens by means of a system of comprehensive social outlays, but was also to engage itself in the economy per se by means of pursuing allocative policies and at that, not only ones of regulation.

As mentioned earlier, the golden thirty-year period was one of Keynesian domination in the theory of economics and at least in declaration, in the macroeconomic policy of many countries. The use of the term 'in declaration' is related to the fact that this was often a policy more Keynesian as understood thanks to the fact of specific concepts ascribed to it by those in politics, rather than in the strict understanding of economics in itself.

Among the national versions of Keynesian economics from that period it is worth noting that of French dirigisme. Its main emphasis lay on the active role of the State not only as a regulator and allocator, but also as one directly and also managing economic processes by means of planning instruments (so-called indicative planning), though in a rather softer version than central planning in countries of social realism. dirigisme was based on the maintenance of a significant role of the public sector in the economy and strong centralisation of the State, where the latter was an element of a significantly earlier tradition of organisation of the French State. At present, dirigisme is associated with the policies realised among others, in China.

Just as in the case of the above-mentioned crisis of the traditionally understood liberal economic thought, events tied to the Great Crisis played a significant role in the Renaissance of liberal thought in economic terms, especially in categories of its popularity, events in the 1970s played a principal role. This is worth taking into account especially now when in the age of a certain, in fact vogue for the criticism of neoliberalism, one forgets that in order for

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<sup>14</sup> In this section the following was referred to: M. Ratajczak, Liberalizm i neoliberalizm ekonomiczny w perspektywie historycznej, *Ekonomista* 2017, no. 1.

<sup>15</sup> R. Boyer, Is a finance-led growth regime a viable alternative to Fordism?, *A preliminary analysis, Economy and Society* 29(1), 2000: 111–145.

some concept to become particularly significant in the point of view of social and economic reality, there must occur conditions that lend themselves to the passing from what might be described as the laboratory phase to the phase of mass replication and stabilisation.

By the end of the above-mentioned phase of the Golden Three Decades there appeared phenomena that did not fit into the Keynesian tradition of the economy. Stagflation and slumpflation, which appeared in a large group of countries with a market economy, led to fundamental changes among economic theorists and a subsequent revision of views, especially on the role of the State in the economy. Followers of Keynes found it difficult to propose a solution where the real world of the economy appeared to indicate the correctness of the thesis proposed from the very beginning by critics of Keynes' argument whereby the economy per se as he saw and described it is only an exception to the rule advanced by neoclassicists.<sup>16</sup>

Economic neoliberalism was an element of significantly broader transformations in the social and political sphere. It is beyond the scope of this study to provide analysis of how and why in fact the liberal conceptions dominated social economic policies to such an extent, once realised in many countries with a market economy. In the professional literature it is possible to find an entire gamut of conceptions in respect to neoliberalism, from those suggesting conspiracy theories related to the role of various and often covert groups and think tanks through to proposing the consequences of the Cold War and related limitation of pluralism in economics. This was especially so in the USA where there was a preference for those schools and conceptions that clearly in the sphere of theory supported the vision of the market economy as a mechanism without an alternative and by definition a perfect one.<sup>17</sup> Finally, there were also conceptions referring to Karl Marx and his attempt to explain neoliberalism in categories of a further sign of class warfare and the regaining of influence by the class of the owners of capital—especially financial capital.<sup>18</sup>

It is also possible to encounter views that neoliberalism is *de facto* a refutation or also a break with liberal traditions<sup>19</sup> and that it in no way in practice did it signify a particular interest in broadening the boundaries of freedom, or indeed lead to a meaningful reduction of the role of the State in the economy.<sup>20</sup> For advocates of neoliberalism the success of their conception is simply an expression of a return to economic normality.

<sup>16</sup> T.I. Palley, op. cit.

<sup>17</sup> E. Fullbrook, Economics and neo-liberalism, in: G. Hassan (ed.), *After Blair: Politics after the New Labour Decade*, London: Lawrence & Wishart, 2007: 160–172.

<sup>18</sup> D. Harvey, *Neoliberalizm. Historia katastrofy [A Brief History of Neoliberalism]*, IW Książka i Prasa: 2008; D. E. Thorsen, *The Neoliberal Challenge: What is Neoliberalism?*, Department of Political Science, University of Oslo, Working Paper October 10, 2009, <<http://folk.uio.no/daget/neoliberalism2.pdf>> [accessed 7 January 2017].

<sup>19</sup> G. Kolodko, *Wędrujący Świat*, Warsaw: Pruszyński i S-ka, 2008; D. Harvey, op. cit.

<sup>20</sup> M. Konings, Rethinking neoliberalism and the subprime crisis: beyond the re-regulation agenda, *Competition and Change* 13(2), 2009: 108–127; D. M. Kotz, *Neoliberalism, Globalization, Financialization: Understanding Post-1980 Capitalism*, 2015, <<https://www.umass.edu/economics/sites/default/files/Kotz.pdf>> [accessed 7 January 2017].

On the basis of economic theory, as already mentioned, in general neoliberalism is identified with the economics of the mainstream based on a neo-classical tradition. For contemporary neoliberals there is no doubt that only economic freedom and an associated self-regulation are able to ensure the effectiveness of exploiting resources, whereby the scale in which this effectiveness ought to be seen is a global one and not limited to one specific economy.

Regardless of all the differences at the level of particular economic schools, or conceptions of economics, there is the conviction uniting all the representatives of neoliberalism that there is no alternative for market self-regulation beyond a very limited sphere of public assets and some other signs of the so-called deceptiveness of the market. In turn, the role of the State is first and foremost the creation and strengthening institutional frameworks serving the development of individual entrepreneurship, both through activity in the sphere of macroeconomic policies and legislative strategies.<sup>21</sup>

A symbol of neoliberalism in respect to the real world of politics has become Thatcherism, a policy begun in Great Britain during the rule of Margaret Thatcher and Reaganomics, the economics of the period when Ronald Reagan was USA president. Subsequently, a particular emanation of the precepts of neoliberalism became the so-called Washington consensus initially defined at the end of the 1980s by John Williamson. The most important among the postulates of the above consensus referred to privatisation, deregulation, limiting budget expenses of a transferred nature, battle with deficits of public finances, freedom in the area of international trade and finally, adapting exchange rate policies to market realities and policies of interest rates related to monetarism.<sup>22</sup>

The rules of consensus constituted the basis of guidelines for countries struggling with economic difficulties, those generally from the group of so-called developing countries. At the beginning of sociopolitical transformation in central eastern Europe the rules of the Washington consensus were recognised by a significant part of economists as the starting point for the construction of programmes in the reconstruction of the socio-economic system.

In 2007 in the USA there appeared signs of crisis in the financial sphere, at first identified with the sub-prime credit market. In 2008 the crisis spread to other parts of the financial sector and the bankruptcy of the Lehman Brothers bank became known as the beginning of the crisis, one treated as a phenomenon that spread beyond the context of one sector and one economy. In the light of discussion concerning the sources of this crisis an increasingly greater popularity was gained by the concept of financialisation.<sup>23</sup> According to some scholars the State was responsible to a significant extent both through the wrong macroeconomic policy, especially monetary as well as inappropriate regulations (for example the revoking of the Glass-Steagall Act in USA in 1999), not to mention activities in the area of social policy that overly favoured lending.<sup>24</sup>

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<sup>21</sup> D. Harvey, op. cit.

<sup>22</sup> D. Piątek, *Instytucje państwa a wzrost gospodarczy w krajach postsocjalistycznych*, Poznań: Wydawnictwo UEP, 2016.

<sup>23</sup> D. Harvey, op. cit.; D. M. Kotz, op. cit.

<sup>24</sup> T.I. Palley, The macroeconomics of financialization: a stages of development approach, *Ekonomiaz* 2009, no. 72, 3.er cuatrimestre: 34–53.

In writing about the last crisis in the context of the argument over the role of the State in the economy it is worth noting the expression 'too big to fail' and the role of the State as a so-called guarantor of last resort. Both issues can be seen as links of what may be described as State capitalism and sometimes—it would appear—it would be possible in fact to write of nationalised capitalism. In its essence, State capitalism arises in a situation where the State departs from the role of a neutral sovereign and regulator, undertaking decisions that are an expression of favouring the interests of some economic entities over the interests of others.<sup>25</sup> The above-mentioned expression 'too big to fail' signifies a situation where the State in fact blocks the activities of the market that could lead to the fall of companies recognised as too important or too significant from the point of view of its potential effects for other economic entities.

The problem is based on the fact that obviously, first, that the question has to arise on what basis the State decides that a given entity is too big to fail. Secondly, according to Milton Friedman that in the economy *there are no free lunches*; someone that is a so-called anonymous taxpayer has to at the end of the day to finance such a form of help on the part of the State. Thirdly, there exists the serious risk that the entities covered by the activities of the State as a guarantor of last resort may begin to demonstrate traits of behaviour infected by opportunism *ex post*, in the Polish literature defined either as a moral hazard or the temptation of abuse (since the State did not allow a given entity to fall the first time, it is highly likely that it will not allow for such a similar situation also in the future—that is, it is not necessary to be overly concerned about a given entity's macroeconomic effectiveness).

Connected to the concepts of dirigisme and State capitalism is the interpretation of neoliberalism used by some scholars, especially in relation to some of the countries that underwent socio-economic transformation related to the shift from a centralised to a market economy. Neo-statism is a system where in formal terms the economy is based on market regulations where private property and competition plays a significant role. In the socio-political sphere this is also associated with a formal observance of democratic regulations and the realisation of the concept of a civil society.

In reality, however, this is a type of façade behind which they hide policies based on political authoritarianism and a far-reaching dependency and subjugation of the private sector; often with a very strong role played by oligarchic structures, the State and its bureaucratized and at the same time strongly politicized structures.<sup>26</sup> For neo-statism, often hand-in-hand with dirigisme, it is characteristic that the dominant political group ascribes to itself a type of monopoly on defining what is good for the State, economy and society from the point of view of developmental goals.

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<sup>25</sup> K. Nowakowski, Kapitalizm państwowy jako dylemat teoretyczny i praktyczny, *Ruch Prawniczy, Ekonomiczny i Socjologiczny* 76(1), 2014: 225–239.

<sup>26</sup> L.R. Mitrović, Immanuel Wallerstein's contribution to mondology and the critical theory of the global world system transition, *Facta Universitatis. Series: Philosophy, Sociology and Psychology* 6(1) 2007: 91–104; A.S. Łukmanow, Lobbizm w Rosji: Analiz sovremennoj specyfiki, *Sborniki konferencji NIC, Socijosfera* 2013, no. 45: 153–158.

Another form of description used in relation to transformational versions of State capitalism is the concept of political capitalism in which there is maintained the State's significant role in the economy expressed also in the share of ownership as—and even foremost—over regulation in the activities of the economy.<sup>27</sup> Political capitalism is also characterised by the fact that the world of politics and the world of business are strongly tied to one another, where the relations of both these spheres are based often on informal and unclear regulations.

In writing on neo-statism and political capitalism it is worth recalling that when the sociopolitical transformation began there arose voices on the part at times of significant figures of the previous opposition that '[...] after dismantling the totalitarian system it is not possible to move directly from this towards democracy. It is necessary to create a particular form of dictatorship, though not totalitarian, but one that is authoritarian'.<sup>28</sup>

These types of voices were in accord with views known from the literature arguing that periods of accumulated difficulties and at the same time strong requirements for growth lend themselves to strengthening the market economy, rather than in conditions of realising and authoritarian policy.<sup>29</sup> In the sphere of economic practice and that of politics examples of such policies are the previously mentioned countries known as Asian Tigers. Neither Singapore or South Korea, or indeed Taiwan or for that matter in a later period China or Vietnam, are models of democracy, but the same time constitute a temptation for possible 'copycats' in the effectiveness of economic policies.

It is, however, necessary to note immediately that in discussing these Asian Tigers one should remember the principal differences in culture and more broadly, institutions, between these societies and European ones. Even in the European context the possibilities of a transfer of policies exploited effectively such as in Scandinavian countries to other countries is limited in fact. To put it simply the Germans, Poles and Russians and other nationalities are not Scandinavians with their own particular historical tradition, religion or culture.

As already mentioned at the beginning of the study, it is in fact the recent crisis that has contributed to the strengthening and awakening of debate on the fundamental categories and mechanisms of the market economy. So far there is no proof that some conception has arisen, innovative to such a degree and at the same time accepted by a significant part of scholars, that it can be viewed as the source of a basically new economic paradigm. Naturally this does not signify that there is no proposition around which some very lively discussion would not be centred around. This author in the above vein is basing his view on the principle of 'his own backyard', that is a Polish perspective from among the gamut of conceptions of economics, where it is also important to choose and indicate the so-called structural economics of Justin Yifu Lin,<sup>30</sup> as well as the conception of the entrepreneurial State proposed by Mariana Mazucatto.

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<sup>27</sup> J. Kochanowicz, Dwoista konsolidacja. Transformacja ekonomiczna i zmiana instytucjonalna, *Ekonomista* 2000, no. 3: 305–323.

<sup>28</sup> Ż. Żelew, Demokracja w społeczeństwie posttotalitarnym, *Gazeta Wyborcza* 1993, no. 77: 8.

<sup>29</sup> R.L. Heilbroner, Ponad ekonomiczną rewolucją, in: *Ponad ekonomią*, Warsaw: PIW, 1985: 150–162.

<sup>30</sup> J.Y. Lin, *New Structural Economics. A Framework for Rethinking Development and Policy*, Washington, D.C.: The World Bank, 2012.

The new structural economics (NES) was popularised in Poland in fact on the occasion of the discussion first, of the Plan and at present, the Strategy for Responsible Development. From the comments of Morawiecki it is possible to conclude that it is in fact NES was one such genesis of a conception contained in the Strategy. Without going into detail, NES is based on the precept that the market and State cannot be viewed in alternative categories, though at the same time it is regulation and coordination of the market that are perceived as a fundamental mechanism. NES in this regard is viewed as a conception no doubt that is not neoliberal, but at the same time one that is not in conflict with neo-classical paradigms. NES, just as the New Institutional Economics, sets itself the task of complementing or also correcting decisions based on the neoclassical foundation rather than the attempt to create economic solutions that are a complete alternative. In the case of the New Institutional Economics there came to fruit among others, at present enjoying extreme popularity conceptions universally applied such as transactional costs, pragmatism in the actions of economic entities and their limited rationality as well as differentiating the so-called agents and principals, or for that matter the specific nature of economic resources.

As far as the role of the State is concerned, in the context of NES there is emphasised the need of the State to go beyond its role as a supplier of public assets and one responsible for the development of infrastructure as well as a public entity creating regulations that are essential for the functioning of private entities. The State is to fulfil an active role, close to what is defined as the State's ability to make appropriate choices in the Strategy and not so as to replace the entrepreneurship of private entities, but through its regulative and allocative activities to strengthen this entrepreneurship. Thus the State is to fulfil the role of a particular midwife in the engine room of economic growth in the private sector.

Critics of NES point to many issues that on the one hand can be understood as accusations that this conception to an insufficient degree takes into account the realities of a contemporary economy in the age of globalisation and digitalisation, and that it is too deeply entrenched in the institutional context of such economies as the one Justin Yifu Lin resides in—China.

Another accusation or question in this matter is related to the previously raised issue as to on what basis can one assume that the State can more effectively define what and by whom should be developed and produced than the mechanism of market self-regulation, especially in the age of a very large and rapid changeability in the world of the economy, and finally, problems related to the possibility of marrying a bureaucratic perspective typical for administrative institutions with that of a typical business one.

The second conception worth noting, taking into account Polish reality, is the idea of a so-called entrepreneurial State proposed by Mazucatto,<sup>31</sup> who in analysing the largest technological innovations in the past three or four decades came to the conclusion that the majority of these was not the result

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<sup>31</sup> A translation of this well-known publication has recently appeared in Poland with a foreword by M. Morawiecki: M. Mazucatto, *Przedsiębiorcze państwo [The Entrepreneurial State]*, Poznań: Wydawnictwo Ekonomiczne Heterodox, 2016.

of autonomic economic activity on the part of the private sector, but to a significant degree that of the activity of the State, which acted as an initiator, partner and in particular, one that co-financed various projects.

Mazucatto's analysis concluded the obvious: without the State and its active role it is difficult to expect significant results in the sphere of innovation. In agreeing with the general conclusion of the above scholar it is worth noting the issue already raised several times of limitations in respect to institutions and the associated question of trust. The entrepreneurship of the State, so as to be successful is not only to be prepared to designate for this particular game specific and substantial expenditures in today's world. First and foremost an entrepreneurial State has to accept the risk tied to this and demonstrate a far-reaching form of trust towards private partners. Innovative policies are by definition ones of high risk therefore. A significant part of expenditures earmarked for this particular aim alas, does not bring the expected results.

In the event when the above-mentioned bureaucratic perspective typical for State institutions is imbued with a low level of trust, including trust towards those acting in the name of the State, it is very difficult to avoid a situation of supporting innovation for appearances sake. These are policies that result in the copying or minimal correction of already existing solutions. Such solutions often possess a very low level of innovation or potential tied to the possibility or projected aims of putting into practice the relevant projects. The same solutions from the point of view, on the one hand, of those who benefit from public health such as the form of grants for research and on the other, public expenditures that distribute and allocate have the significant advantage of minimising the risk of failure in reaching declared end results, as well as minimising the risk of accusation of wastefulness or in fact misspending public finances.

In writing on the institutional limitations of such policies as defined in the Strategy for Responsible Development, it is once again worth emphasising the meaning of the institution of long-term duration and the notion that is typical for these. Institutional inertia constitutes one of the important elements that co-decides the so-called *path dependence*, which in the Polish context can be described as a dependence on the line of development. Despite the passing of over 25 years from the beginning of the socio-political transformation, in Polish social consciousness there continues to be played an important role inherited by centrally managed institutions from the system of a centralised economy in the form of so-called dogmata—mantras such as the concept of social justice associated with the idea of equality and at the same time richness of distribution, one to a significant extent dependent on the State.<sup>32</sup>

Among others in respect to institutions of long-term duration it is important that the modernisation policies undertaken in a strategic context were realised consistently and in an appropriately long period. It is therefore of great consequence that these types of policies were based to a maximum on an understanding over and above political and social divisions, which allows

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<sup>32</sup> J.M. van Brabant, *Privatizing Eastern Europe*, Dordrecht: Kluwer, 1992.

for strengthening opportunities for continuation in natural conditions in a democratic system taking place over time after changes on the political stage.

Naturally from the point of discussion on such goals as the Strategy for Responsible Development, the fundamental issue is the question of justification as to what in the context of these strategic policies is to be done and reached as well as with the aid of what instruments and means. From this point of view it is worth noting that although Poland is not an example of a particularly large State measured in terms of public expenses in relation to GDP, fixed expenses have a very high share in these expenditures, while this fixed nature is further strengthened in recent times for example through the 500+ Programme. The question in such a context of how it is possible to conduct a great innovative leap peculiar to Poland that would demand among others, a significant reallocation of public expenditures towards at least a radical growth of expenditure in the R+D sphere and at the same time effect principle changes in the mechanisms and sources of economic growth, is one of the most serious questions regarding an assessment of chances for the realisation of the Strategy.

Undoubtedly the above imparts further meaning and context contained in the Strategy irrespective of the concept of a State being able to make the appropriate choices. The experience of States such as those already mentioned in this study such as the Asian Tigers shows that their success in the economic sphere was reached in conditions of very limited generosity on the part of the State in the social sphere. The desire to accommodate a far-reaching social awareness, resulting in significant financial consequences for the State budget together with a clearly strengthened role of the State as executor in the creation and therefore also financing of essential services for generally not only essential levels of economic growth, but also changes in the mechanisms and factors responsible for this growth, is a unusually difficult task, especially in the real world of the economy at a level of growth in a country such as Poland.

## V. CONCLUSION

In conclusion it is worth noting that one can ascribe a historical genesis to all the contemporary schools of economics in a discussion on the role of the State in the economy. Therefore, apart from radical conceptions tied to Marxism, all the remainder accept the market as a fundament for the functioning of the economy. The free market in today's economy cannot be one that is not regulated, however, which means that it is to be a market subject to the workings of the State.<sup>33</sup>

Neither the unseen hand of the market nor one that is seen on the part of the state are perfect and therefore have to complement one another in respecting the idea of freedom as a basis for regulation and this is the case not only

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<sup>33</sup> D. Acemoglu, *The Crisis of 2008: Structural Lessons for and from Economics*, <<http://economics.mit.edu/files/3703>>, 2008 [accessed 7 January 2017].

in the economic sphere.<sup>34</sup> In this context, the economy needs policies therefore that link a concern for freedom as a basis of individual entrepreneurship with those policies that seek to ensure such a distribution of economic wealth. This in turn would serve the equality of opportunities as understood in the creation of conditions that lend themselves to achieving success by particular individuals. First and foremost in accord with the criteria of individual ability, conscientiousness or perseverance in striving for a given goal as well as understood assurances of equal access, in particular to the sphere of social services. In this very case it is necessary to accept that on account of cultural differences, historical limitations and different institutional conditions, it is not possible in respect to a practical modelling of theoretical conceptions to formulate one universal model of the State's role in regard to the economy.

In analysing both the scholarly debate on the role of the State in the contemporary economy and in observing what is being done or forecast in the context of programmes on the part of various political forces in particular countries, it is possible to indicate three main areas of argument or one can say choice, in relation to the role of the State that go beyond the traditional debate on macroeconomic policy as understood as a vision and instrument of monetary and fiscal policy.

The first and in particular discussed in recent years—also in relation to the prevailing conditions in respect of countries that are highly developed—relates to the issue of the economy's distribution of wealth. There is no doubt that the neo-liberal concept of the market as being sufficient both for regulating the sphere of creating wealth as well as its distribution was indeed a mistake. The State thus has to play the role of an institution that corrects such a distribution. This is not obviously the same as arguing that the more finances are distributed by the State the better—and importantly without a strict relation to the income-wealth of those it benefits. In the opinion of this author the formulation of a basis for a debate on the role of the State in the distribution of wealth may constitute a reference in the text to (though obviously adapted to contemporary conditions) the idea of a liberalism rooted socially and that of Fordism.

The second area of discussion is related to the role of the market as a regulator of international economic relations in the context of, on the one hand the concept of globalisation and on the other, renewed tendencies towards protectionism. It is in the latter area that the State cannot be passive, especially in the case of economies whose potential and level of development does not allow for the recognition that they constitute an equal partner for internally strong economic entities. This is not necessarily the case in the understanding of other States, but sometimes and even at times first and foremost, in the form of transnational companies.

The caveat in this particular case has to be that the above interpretation, one bordering on nationalism, otherwise understood concept of economic patriotism and protectionist policies undertaken as well as even isolationist, can pose a threat to a return to a peculiar form of widespread mutual warfare,

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<sup>34</sup> S.K. Aikins, Global financial crisis and government intervention: a case for effective regulatory, *International Public Management Review* 10(2), 2009: 23–43.

where in fact there cannot be any true victors. It is not protectionism and neo-mercantilism propagated by some politicians that are a means of minimising threats associated with globalisation in the neo-liberal version. Globalisation can bring benefits to everyone as long as the State will be shaped by its institutional frameworks on the assumption that business and international cooperation is not tantamount to a zero-sum game.

The final, third area of discussion, is the question of systemic frameworks for the realisation of economic activity foremost in the context of democracy and a civil society per se. History shows that democracy—paraphrasing the words of Winston Churchill—though far from being an ideal means of government has no superior, for there has not been anything better invented. Difficult times in the economy, as is the period from the beginning of the most recent crisis, in a natural way lend themselves to the increasing acceptance sometimes of a strongly populist vision of the State and society.

The neo-statism already mentioned in this study, together with dirigisme and paternalisation of relations between the State and its citizens (not one experienced only by States that have undergone socio-political transformation) can naturally be accepted by society in part and bring certain positive economic benefits. In the long-term, however, neo-statism poses a threat—instead of reinforcing innovation and dynamics of growth—demonstrating an increasing dependency of everyone and everything on the State. The latter importantly, can effectively support the market and private enterprise, but not as an entity that verbally supports the market and in fact begins to replace it.

Such an excessive form of State intervention in the workings of the economy and society is in contradiction to the fundamental principle of subsidiarism—that is the State's umbrella as it were, unfurled to help its citizens, equally important in respect to Catholic social teaching, or regulations governing EU functions, or indeed for example, the Polish Constitution.

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## THE ROLE OF THE STATE IN THE ECONOMY

### Summary

After the recent financial crisis, a debate on the fundamental categories and mechanisms of market economy in a capitalist system and the role of the State in it has intensified. In Poland, this debate became even more significant after certain government documents (the Plan, followed by the Strategy of Responsible Development, commonly termed Morawiecki's Plan and Strategy) had been publicised. The view of the role played by the State in the economy is one of the main determinants that divides the science of economy into different schools, and constitutes the grounds upon which different economic doctrines emerge. The ongoing debate on the mechanisms of the functioning of economy in Poland and worldwide has been examined in the context of the historical dispute regarding the role of the State in market economy.