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Economics of moderation. Towards sustainable development²

INTRODUCTION

Analysis of the literature tends to show limited consideration in the discourse of economic sciences concerning “moderation” (Giza, 2016, pp. 45–49). This research gap can be seen not only in the realm of investigation regarding the theories of economics and its related sciences, but it is manifested above all in the economic and everyday lives of modern people, dominated by hedonism, ubiquitous materialism and consumerism on the one hand, and, on the other, it shows the polarisation of the lives of societies, expressed through poverty, misery and limitations.

This publication addresses a very important topic, namely the economics of moderation – an emerging theory of modern economics, based on new pragmatism. This theory is a kind of complement to the philosophy of sustainable development, which can be understood as a “live idea”. A live idea means one which can be implemented provided that societies live in “moderate wealth” in accordance with the theory of the “economics of moderation”. The aim of the study is to set economics of moderation as a theory in the evolution of economic thought. To achieve the defined research aim, an attempt was made to answer the following research questions:

1. How should moderation be understood and what is its essence?
2. What do development economics and the economics of moderation have in common?
3. What changes does the modern world need to implement in order to turn back from the slippery slope?

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In the research work, an analysis of the literature on the subject was used within the scope of research methods of social sciences in the field of analysis and criticism of the literature, as well as analysis and logical construction.

FROM THE WEALTH OF NATIONS...
TO THE ECONOMICS OF MODERATION
– THE EVOLUTION OF ECONOMIC THOUGHT
IN THE CONTEXT OF DEVELOPMENT ECONOMICS

In the methodology of the empirical sciences, including economics and its related sciences, the concept of theory can be understood in three aspects, as:

1. a set of sentences explaining a given phenomenon that, together with the scientific laws and general hypotheses explaining them, forms a logically coherent unit of scientific knowledge;
2. a coherent system of theorems concerning a given phenomenon, comprising theoretical terms related to objects or properties which are directly unobservable;
3. a system of laws, general hypotheses and definitions which are logically and factually related, so that from the most general theorems, less general theorems can be derived, formulated in such a way that empirical testing (in this respect: falsification, confirmation and verification) is possible.

Assuming that the main task of the theory of empirical sciences – having epistemological values – is, first and foremost, explanation (diagnostic function) and prediction (prognostic function), and furthermore, taking into account the unreliability of types of reasoning adopted besides deduction (e.g. inductive, reductive or statistical reasoning), it is necessary to empirically check and validate³ these theories. This is why, in the context of economic sciences, their ability to be practically applied is of such great importance.

Development economics is one of the leading theories of modern economics. Although theories of development have existed since the time of A. Smith, when his now classic work “An Inquiry into the Nature and Causes of the Wealth of Nations” was published, development economics as an “economic discipline” goes back to the 1950s (Bąkiewicz, Żuławska, 2010, p. 64; Piasecki, 2007, p. 7; Kozak, 2001, p. 8). In Figure 1, this period in the history of the development of economic thought has been shaded in grey.

³ Validation of theorems in the empirical sciences is understood as a dispute between inductivism and hypothetico-deductivism.

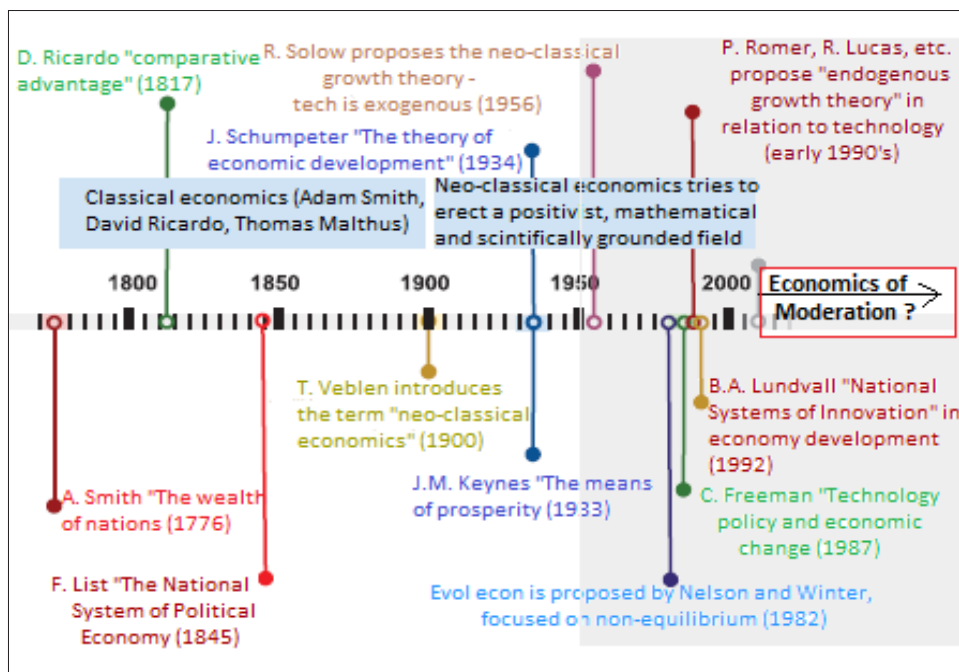


Figure 1. Timeline of the evolution of economic development research

Source: own elaboration based on: (Maldonado, 2012, p. 24).

The evolution of development economics can be divided into four basic periods:

1. the beginning of development economics, associated with rapidly unfolding decolonisation processes, reaching a high point in the 1950s and 1960s,
2. the outbreak of the energy and resource crisis in the 1970s, leading to the demand to introduce an international economic order,
3. the adoption of the United Nations Millennium Declaration in 2000, which is a kind of commitment that humanity should fulfil in order to effectively meet the challenges of the 21st century,
4. the establishment of the 2030 Agenda for Sustainable Development, including sustainable development goals.

Development economics can be classified according to various criteria, as shown in Table 1. Their analysis enables identification of the dichotomy of concepts regarding the causes and effects, as well as forecasts, regarding further economic development and instruments to be used in global development. However, regardless of theoretical disputes in this respect, it is important to work practically on creating suitable/effective tools to combat the threats in the global economy.

Table 1. Classification of theories in development economics according to selected criteria and division sources

No.	Criterion/authorship	Classification
1	axiological-historical criterion	<ul style="list-style-type: none"> – a group of theories with liberal roots, according to which the interests of societies and nations do not have to be mutually exclusive and, in the long run, can even be harmonious; – a group of theories of leftist-Marxist provenance, according to which the differences in the economic development of countries stem from acute class conflict, and as regards the population of colonial territories – also national conflict.
2	division of theories in development economics according to R. Piasecki	<ul style="list-style-type: none"> – neoclassical, – relating to structural imbalances, – radical, – Marxist.
3	division of theories in development economics according to Z. Krasucki	<ul style="list-style-type: none"> – neoclassical theories, – theories based on a linear model of economic growth, – structuralist theories based on two-sector backwardness of the economy and the bipolar nature of the world economy.
4	factors criterion according to G. Braun	<ul style="list-style-type: none"> – internal factors, – external factors, – external and internal factors, – global factors.
5	time criterion according to A. Bąkiewicz and U. Żuławska	<ul style="list-style-type: none"> – first-generation theories, – second-generation theories, – third-generation theories, – fourth-generation theories.
6	responsibility criterion according to M. G. Woźniak	<ul style="list-style-type: none"> – economic theories promoting the development of diffusion-polarisation, – economic theories in which the issue of responsibility in the context of planned and pursued economic development is emphasised.
7	needs criterion according to G. W. Kołodko	<ul style="list-style-type: none"> – theories of traditional economics which assume unlimited human needs, – the theory of new pragmatism – the “economics of moderation”, according to which the volume of flows (human, natural, financial and material) should be adapted to the requirement to maintain a dynamic balance.

Source: own elaboration based on (Deszczyński, 2013, pp. 2–3; Woźniak, 2019, pp. 158–173; Kołodko, 2016, pp. 26–32).

Analysis of the literature on development economics inclines towards the formulation of the author’s definition of this concept as “the leading economic thought, but also a specific doctrine of the end of the 20th century and the beginning of the 21st century, whose object of research is related to the observed

and growing imbalances in the global economy, including in the majority of its national economies in the context of natural, social and economic capital”.

SUSTAINABLE DEVELOPMENT TOWARDS A LIVE IDEA

The historical version of the concept of sustainable development goes back over 35 years, when the Brundtland Commission prepared a report entitled “Our Common Future”. This report highlights the necessity to meet the needs of the current generation without reducing the development opportunities of future ones, which was to be achieved through integrated measures in the area of natural, social and economic development in the world. Although many years have gone by since the World Commission on Environment and Development formulated this goal, it has not been achieved, but on the contrary, as scientific research and statistics show and confirm, quality of life on Earth is not improving but deteriorating (this applies particularly to the environment, including biodiversity. Nature is of fundamental importance in this respect, because without this aspect, the other elements, i.e. the social and economic aspects would not exist – it is a *sine qua non* for the other aspects) (Kozhevina, Trifinov et al., 2020, pp. 1295–1304; Krivtsov, 2020, pp. 165–171; Sati, 2020, pp. 171–183).

As W. Sztumski rightly emphasises, sustainable development depends on social consensus on the most important issues of human/social life on a global scale. Its accomplishment requires consistent compliance with the principles of human coexistence in accordance with environmentalism, i.e. the principles of tolerance and synergy. As regards the first principle, its implementation is linked to the desire to live in peace amid the rapidly growing condensation of the environment, and, in particular, the increase in the world’s population, while the second principle is a consequence of the need to preserve life and ensure the survival of the human species amid the progressive degradation of the natural and social environment (Sztumski, 2006, p. 75).

The concept of sustainable development is not univocal, and in the literature one can find it variously defined as (Borys, 2005, p. 67; Borowiecki, Siuta-Tokarska, 2016, pp. 71–81; Bedrunka, 2020, pp. 11–18):

- the features of self-sustaining and sustainable development,
- a synonym for eco-development,
- an approach complementary to sustainable development,
- a synonym for environmental neutrality,
- a concept broader than sustainable, self-sustaining development and eco-development,
- a category complementary to unconventional development, along with sustainable, self-sustaining development and eco-development.

Due to the multitude of interpretations of sustainable development, for the purposes of this paper, the author’s approach to this concept has been adopted,

namely “striving for a state of equilibrium on the path of development of the world between the three basic capitals in the following order and the order of their occurrence”⁴:

$$N : S : E \rightarrow EQ \quad (1)$$

where⁵:

N – natural capital,

S – social capital,

E – economic capital,

EQ – state of equilibrium,

taking into account the necessity to preserve and not to reduce the value of any capital by another.

The above model is diverging at breakneck speed from the model implemented so far, i.e. the model of the domination of economic capital over the others, which can be presented in the following form:

$$E > S > N \rightarrow DEQ \quad (2)$$

where:

E, S, N – designations as in formula 1,

DEQ – state of disequilibrium.

In turn, the concept of “sustainability of development” should be explained as broadly understood long-term progress – positive changes (which does not exclude the occurrence of changes other than those expected for short periods).

Therefore, taking into account the importance of sustainable development, both as a theoretical scientific concept and a practical “measure” for the survival of the world, this concept is not without reason indicated as a postulative metaparadigm of modern economics and management science (Borowiecki, Siuta-Tokarska, 2018, pp. 7–15; Borowiecki, Siuta-Tokarska, Kusio, 2018, pp. 28–43). This concept is also a new approach to development economics. The current joint analysis of natural, social and economic processes is linked to a different approach in relation to earlier sectoral analyses that limit interdisciplinarity (Rokicka, Woźniak, 2016, p. 10). The new approach provides the basis for a possibly holistic approach to the analysed changes, processes and relationships.

⁴ This order results from the fact that natural capital is a *sine qua non* for the existence of the other capitals, i.e. social and economic. In turn, without social capital, there is no economic capital. In this approach, economic capital is the product of human action and its value in the axiological aspect cannot be put above the value of social capital, whilst social capital cannot exist without natural capital.

⁵ It should be emphasised that this is not about mathematical proportions, but about understanding and implementing a world development model in which the value/space of one of the capitals is not appropriated by another, and taking action to maintain the balance between them.

Assuming, thus, that the peculiarity of the human species is the creation of unity in cultural diversity (Piątek, 2005), the idea of sustainable development is undoubtedly one for which an opportunity to pursue the message of the complementarity of the rationalist-mechanistic way of thinking with systemic holistic thinking has been created (Malikowski, 2016, p. 55). This, in turn, provides a basis for its implementation, and thus allows us to perceive it as a “**live idea**”.

ECONOMICS OF MODERATION AND SUSTAINABLE DEVELOPMENT – CONCLUSIONS FOR THE FUTURE

In accordance with the philosophical approach, “reason and moderation” are the two cardinal virtues, besides bravery and justice, that underlie the whole human moral life (Żardecka, 2017, p. 7). In the classical approach, a virtue is defined as a constant tendency and power of will (character) in pursuing moral values (Herbut, 1997, pp. 90–91). That is why ancient philosophers, such as Socrates, Plato and Aristotle, believed that desires or fears could not be a way to achieve human happiness, i.e. *eudaimonia*⁶, and virtues constituting the good of the individual serve the community to the greatest extent (Żardecka, 2017, p. 9).

The virtue of moderation is, to some extent also nowadays, a principle expressed in the words: “know moderation, moderation is the best”, and in accordance with Aristotelian philosophy – as a search for the golden mean: “*Thus a master of any art avoids excess and defect, but seeks the intermediate and chooses this – the intermediate not in the object but relatively to us*” (Aristotle, 1996, p. 111). It is moderation that comes with reason, as it determines the rational use of things. St. Thomas Aquinas points out that moderation emphasises the beauty and harmony of human personality and life balance. In this sense, the virtue of moderation is not only an important aspect of everyone’s life, but it is also an essential element on the path to authentic human development as an individual, and the development of society as a living organism (philosophy of organicism), which in order to be healthy must not have its ailing elements.

The contemporary approach to the virtue of moderation – in the context of human management – allows for it to be taken as the idea of “moderate wealth”, thus referring to A. Smith’s classical work. This new approach to the enrichment of nations arises from overwhelming consumerism (object above subject), the era of videocracy and post-thinking, and a lack of values and real standards. As a consequence of fatigue caused by excess and unrestrained human desires to possess and acquire, and, on the other hand, poverty, deficiencies and limitations on life expectancy, a search for and expectation of a practical lesson in reason and moderation can be observed. In this respect, the foundations for management

⁶ Eudaimonia – real, full happiness, flourishing and prosperity, welfare, wealth.

practice can be found in the theory of the economics of moderation, based on the idea of “moderate wealth”, which can have at least three functions in socio-economic life (Zwoliński, 2008, p. 69):

1. an educational and pedagogic function which is associated with release from the attachment to material desires and expectations, as well as from the pursuit of material wealth which quite easily turns into a form of enslavement;
2. a function regulating legal aspects and the functioning of the economy: new relationships in society enable market principles based on justice and responsibility to break through;
3. a balancing function: moderation of enrichment allows for creating environmental, social and economic order with a sense of security, participation and solidarity.

In accordance with the so-called new pragmatism, the economics of moderation is therefore, in the context of the above-mentioned moderate wealth concept, a scientific theory (Bałtowski, 2016; Twarowska, 2016, pp. 35–45):

- with a descriptive, explanatory and evaluative nature of knowledge transfer;
- in which the contextuality of specific dynamic and complex circumstances and conditions, including limitations and opportunities to pursue economic development, can be seen;
- in which the comparative nature of environmental and spatial, cultural, legal and political, economic and other realities is emphasised;
- in which the multidisciplinary of the undertaken scientific considerations is noted;
- and threads of analysis and synthesis of various economic schools are combined, including microeconomics with macroeconomics, which, in turn, is conducive to a comprehensive approach to the research subject.

As G. W. Kołodko rightly notes, the economics of moderation is based on rational management—both on micro and macro scales—which requires pragmatism derived from a system of values that promotes sustainable development (Kołodko, 2015, p. 7). To balance the three capitals (natural, social and economic), there must also be a balanced distribution of income, which is linked to mutual income relationships in the various social and professional groups. Studies based on comparative, long time series clearly show that, on the one hand, a narrow minority of the world’s population “seizes” the vast majority of global income, including the benefits of its growth, and, on the other, it is in countries with a relatively low degree of income inequality that economic growth is more sustainable than in countries with pronounced income differentials (Malinowski, 2014, pp. 18–28). Therefore, a thesis can be put forward (taking into account available research findings) that it is a socially balanced distribution of income among the world’s population that should result in ensuring more sustainable global economic growth. However, a question arises: how can the constant pursuit of economic growth (which, incidentally, is criticised as a basis for measuring economic development)

be reconciled with the “dying out” of natural capital (the Living Planet Index (LPI) decreased by 60% from 1970 to 2014, which means that the average number of the total population of vertebrates worldwide decreased by more than half in just 44 years)⁷, without which neither social nor economic capital can exist?

For the economics of moderation to be a pragmatic and implementable theory, economic life must be governed by the principle of moderation and adapted to real economic growth capacities, as well as natural capital must be recognised as a *sine qua non* for social and economic capitals. It is, therefore, necessary to balance flows (income and expenses, supply and demand, supply and sales) and economic resources (assets, savings, inventories), and to transition from the economy of permanent imbalance to an economy of balance and moderation (Kołodko, 2016, pp. 16–17). This, in turn, requires not only social/global education, but also a change in the life philosophy of modern people, including the values they profess. Is this possible?

This is a question each of us must answer. However, looking holistically and perceiving the consequences of the aforementioned environmental and social changes as well as continuous (minor or major) economic crises, we have two choices:

either life for ourselves and future generations
or its “dying out”.

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⁷ Based on: *Living Planet Report – 2018*.

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Summary

The article describes attempts at implementation of the idea of sustainable development in the world economy of the 21st century. The presented research is theoretical. The aim of the study is to set economics of moderation as a theory in the evolution of economic thought. The problem of sustainable development in the world economy has been depicted in relation to ongoing environmental, social and economic changes, pointing to the negative effects of the implementation of the current consumption model of contemporary economies. “Economics of moderation” is a new, unique approach to the theory of economics forming some kind of theoretical basis to the practical implementation of a real development restoring the right understanding of intergenerational harmony and justice. In the research work, an analysis of the literature on the subject, both domestic and foreign, was used within the scope of research methods of social sciences in the field of analysis and criticism of literature, as well as analysis and logical construction.

Keywords: economy, moderation, sustainable development.

Ekonomia umiaru – w kierunku zrównoważonego rozwoju

Streszczenie

W artykule podjęty został problem realizacji zrównoważonego rozwoju w gospodarce światowej XXI wieku. Przedstawiona praca ma charakter teoretyczny. Celem publikacji jest przedstawienie ekonomii umiaru jako teorii w kontekście ewolucji myśli ekonomicznej w głównym nurcie ekonomii rozwoju. Zagadnienie to zostało ukazane w relacji do postępujących zmian środowiskowych, społecznych i ekonomicznych, ze wskazaniem na negatywne skutki realizacji obowiązującego konsumpcyjnego modelu współczesnych gospodarek. „Ekonomia umiaru” to swoiste nowe spojrzenie na teorię ekonomii, która daje podstawy teoretyczne do przejścia w rzeczywistość, praktyczną realizację rozwoju, przywracającego właściwe pojmowanie ładu i sprawiedliwości międzypokoleniowej. Na potrzeby realizacji niniejszych badań wykorzystano analizę literatury przedmiotu zarówno krajowej, jak i zagranicznej w obrębie metod badawczych nauk społecznych z zakresu analizy i krytyki piśmiennictwa, a także analizy i konstrukcji logicznej.

Słowa kluczowe: ekonomia, umiar, zrównoważony rozwój.

JEL: E20, F63, Q56.