

SPIEGEL Interview with Tomas Sedlacek

'Greed is the Beginning of Everything'

In a SPIEGEL interview, Czech economist Tomas Sedlacek discusses morality in the current crisis and why he believes an economic policy that only pursues growth will always lead to debt. Those who don't know how to handle it, he argues, end up in a medieval debtor's prison, as the Greeks are experiencing today.

In his bestseller "Economics of Good and Evil," first published in the Czech Republic in 2009, 35-year-old academic and political advisor Tomáš Sedláček defied the boundaries and stereotypes of his profession by exposing the roots of the economy in the cultural history of mankind.

From 2001 to 2003, Sedláček was an economic advisor to then Czech President Vaclav Havel, who valued his "new view on the problems of the contemporary world, one unburdened by four decades of the totalitarian Communist regime." Until 2006, Sedláček advised the Czech finance minister in a dispute over the consolidation of the budget, as well as the reform of the country's tax, pension and healthcare systems.

In the introduction to Sedláček's book, Havel wrote that most politicians "consciously or unconsciously accept and spread the Marxist thesis of the economic base and the spiritual superstructure." Sedláček, however, turns this hierarchy on its head on his philosophical journey through cultural and economic history. For him, all of economics ultimately revolves around the question of how we ought to live. The *Yale Economic Review* described him as one of the promising "five hot minds in economics."

Today, Sedláček is the chief macroeconomic strategist at the major Czech bank SOB, a member of the National Economic Council and a lecturer at Charles University in Prague. The German edition of his book was on the SPIEGEL bestseller list for weeks after it was published in February. The book was turned into a very successful

play in Prague, which translates the author's parables and arguments into dialogue and engages the audience. An English translation of the book was published by Oxford University Press in July.

SPIEGEL: Mr. Sedláček, in Oliver Stone's 1987 film "Wall Street," the fictional tycoon Gordon Gekko, played by Michael Douglas, pronounces the provocative motto of neoliberalism: "Greed is Good." Has the crisis in financial capitalism reduced greed to what it was once before, one of the seven deadly sins?

Sedláček: Gekko succeeds with his greed, but then he falls victim to it. Mankind's oldest stories tell us that greed is always Janus-faced. It is an engine of progress, but it's also the cause of our collapse. Being constantly dissatisfied and always wanting more seems to be an innate natural phenomenon, forming the heart of our civilization. The original sin of the first human couple in the Garden of Eden was the result of greed.

SPIEGEL: Not of temptation and curiosity?

Sedláček: Desire and curiosity are sisters. The snake merely awakened a desire in Eve that was already dormant inside of her. According to Genesis, the forbidden tree was a feast for the eyes.

SPIEGEL: Just like the suggestive images of modern advertising.

Sedláček: Eve and Adam grab the opportunity and eat the fruit. The original sin has the character of excessive, unnecessary consumption. It is not of a sexual nature. A desire for something she doesn't need is awakened in Eve. The living conditions in paradise were complete, and yet everything God had given the two wasn't enough. In this sense, greed isn't just at the birthplace of theoretical economics, but also at the beginning of our history. Greed is the beginning of everything.

SPIEGEL: So evil is the result of insatiability?

Sedláček: The demands of people are a curse of the gods. In Greek mythology, the story of Pandora, the first woman, who opens her jar out of curiosity, thereby releasing poverty, hunger and disease into the world, tells the same story as the Bible. In Babylonian culture, the Gilgamesh epic shows how desire rips man out of the harmony of nature.

SPIEGEL: Does the human species define itself by its existential dissatisfaction?

Sedláček: The saturation point, like the end of history, is never achieved. Consumption works like a drug. Enough is always just beyond the horizon. The Marxist philosopher Slavoj Žižek put it this way: "Desire's raison d'être is not to realize its goal, to find full satisfaction, but to reproduce itself as desire."

SPIEGEL: Which is why life is ultimately a Sisyphean task?

Sedláček: The economics of equilibrium are doomed to failure. Eve's desire -- in economic terms, her demand -- will never subside. And Adams's offer to toil by the sweat of his brow will never be enough. In the film "Fight Club," based on the novel by Chuck Palahniuk, the protagonist Tyler Durden says to his nameless friend, who despises his profession in the auto industry: We work at jobs we hate so we can buy shit we don't need. That is the expulsion from Paradise, transferred to the modern age.

SPIEGEL: And yet man always comes back to the dream of escaping the treadmill and finding the harmony of equilibrium. The memory of the paradise we have lost isn't extinguished.

Sedláček: Progress or satisfaction, that's the anthropological dilemma of the human condition. You can't have both. People are riding a dangerous animal. There seem to be two ways to reduce the discrepancy between desire and satisfaction, demand and supply. One can expand the supply of goods and the purchasing power needed to acquire them. That's the hedonistic program, which we have chosen since the days of the Greeks and Romans,

but which threatens to fall apart in the debt crisis. The monetization of our society has strengthened the illusion that all the things we desire are within our reach.

SPIEGEL: In contrast, saving, rigorism and moderation are now the words of the day.

Sedláček: That's precisely the opposite program: that of the ancient Stoics. Demand is to be reduced so that it corresponds to supply. The Stoics had to spend their entire lives learning to limit their needs. Diogenes in the barrel was convinced that the less he had, the freer he was.

SPIEGEL: Except that he would hardly be an accepted role model today.

Sedláček: That was probably never the case, but his philosophical message is certainly modern. Diogenes is the prototype of the critique of civilization and technology.

SPIEGEL: A preacher of the limits of growth, which the Club of Rome also tried to establish, albeit unsuccessfully, in 1972.

Sedláček: The equation "more is better" doesn't add up anymore. This makes Diogenes a contemporary. The moment in which we realize that science and technology are ambivalent marks the end of modernity. After all, the Club of Rome was concerned with responsibility for the future of mankind.

SPIEGEL: It's easy to increase consumption, but decreasing it is much more difficult to do. Doesn't the uneven distribution of wealth also propel the wheel of desire, based on the motto that I want what others have?

Sedláček: Yes, the social ladder becomes sticky on the way down. The view of economists is that each individual seeks to maximize his benefit. The only problem with this is that we cannot precisely define what the optimal benefit is for us. We don't know what we

want. That's why we need comparisons, examples and suggestion. Try imagining an object of your desire, a beautiful woman, for example. It doesn't work as an abstract idea, because the imagined image in your head is volatile. You need a photo, a description, a model. Someone has to tell you what you think is so great that you find it irresistible -- society, neighbors and colleagues, but also the advertising and entertainment industry, ads, films and books. All desires that exceed our basic biological needs are determined by culture. We want to live as if we were actors portraying ourselves.

SPIEGEL: The debts of Western countries haven't grown in the last 30 or 40 years as a result of need, but of abundance.

Sedláček: Aristotle, the philosopher of the golden mean, viewed excess as man's greatest weakness. He believed that one could only avoid excess through moderation.

SPIEGEL: Sure, but what's the right measure? Economists preach growth as the sole remedy. Is economic activity like riding a bike -- if you don't pedal you'll fall over?

Sedláček: I believe that the economy is more like walking: You can stand still without falling over. This reflects the idea of a Sabbath economy. God rested on the seventh day, after he had created the world, not because he was tired, but because he felt that what he had created was good. According to biblical custom, the fields were to be left fallow once every seven years, and debts were forgiven after 49 years. There's a saying that the good is the enemy of the better. It's correct the other way around: The best -- or chasing it -- is the worst enemy of the good.

'Marx Probably Wouldn't Recognize Need for a Revolution Today'

SPIEGEL: Communism, under which your generation grew up, didn't achieve this form of self-sufficiency in half a century.

Sedláček: Because it wasn't viable. In truth, it isn't communism but capitalism that drives the permanent revolution. It drives people to

work harder and harder, because it presents them with the very credible possibility of success. Communism could never do that. Karl Marx thought and wrote in the world of Oliver Twist. If he were alive today, he would probably not recognize the need for a revolution.

SPIEGEL: So in our part of the world, we all essentially live in societies shaped by social democratic ideas?

Sedláček: We are clearly not communists by nature, but we are definitely communitarians. Only a truly egomaniacal person can live happily in a society in which he is the only rich one. Man has a need for fairness and, therefore, for a fair distribution of wealth.

SPIEGEL: So greed and empathy offset each other as balanced forces?

Sedláček: Yes. In his "Theory of Moral Sentiments," Adam Smith, the founder of modern economics, defines sympathy as the basis of morality and as the driving force of human activity. The suffering of one person also affects someone else.

SPIEGEL: But Smith is more famous for his most important work, "The Wealth of Nations," in which he questions the effects of human self-interest and the "invisible hand" of the market.

Sedláček: Self-interest guides human behavior, but Smith knew that man cannot be explained by the egoistical principle alone. He clearly distanced himself from his contemporary Bernard Mandeville and his theory that private vices generate public advantages, and that the general welfare stems from the self-interest of the individual. Contrary to his effective history, I believe that Smith's legacy consists in the incorporation of moral questions into economics -- in fact, that they are precisely what constitute its core. For modern economists, on the other hand, the question of good and evil is practically heretical.

SPIEGEL: If the invisible hand of the market alone were capable of

transforming self-interest into the common good, we wouldn't need government regulation at all.

Sedláček: When self-interest exceeds certain limits, it threatens the market economy. A functioning society rests on three columns: morality or decency, competition and regulation, or basic government conditions. The weaker morality is, the stronger the state must intervene. The Eastern European countries, which depended entirely on deregulation to create markets after the fall of communism, learned this lesson after painful experiences. A society that focuses on egoism without morality descends into anarchy.

SPIEGEL: The laissez-fair ideologists and the Tea Party movement in the United States still want to keep the government out of things.

Sedláček: The interdependence between capital and the state became obvious during the crisis. The financial system would have collapsed without government help, and then the governments would have been finished. Regulation may be a loaded concept, so let's talk about coordination instead. But you need two players. You can't play tennis alone.

SPIEGEL: Does this interplay between the market and the state shape the field of social morality?

Sedláček: The most positive, descriptive economic models have approached the question of how the market economy functions with complicated mathematical models for decades, but they are simply wrong or pointless at best. The real question should be: Is the economy working the way we want it to?

SPIEGEL: But it isn't up to economists to set ethical standards.

Sedláček: Yes, it is. Ethics forms the core of economics. It leads straight to the question of the good and right way of living, or Aristotle's concept of eudemonia. For him, maximizing benefit without maximizing good would have been pointless. A market economy without morality is a zombie system: The robots function

perfectly, but in the end they leave behind a trail of devastation. We have to return to our origins and talk about the soul of the economy.

SPIEGEL: Such quasi-religious impulses must be quite foreign to both your fellow economists and the politicians you have advised.

Sedláček: The belief in progress is an eschatology used in the secular realm. There is no such thing as value-free economics. To claim that economics is value-free is a value judgment in itself -- an ideological position. Every purchase decision is also a moral decision.

SPIEGEL: So economics is a cultural phenomenon, not mathematics?

Sedláček: Numbers alone are meaningless. Here's a simple example: How high was the rate of inflation in Germany in February? This leads us directly to the next question: What does this mean? Is it good or bad? The truth lies within its context, which is shaped by cultural, ethical and social factors, and it cannot be portrayed by a formula relating to the money supply.

SPIEGEL: Economics can't answer questions about the meaning of life. That would be absurd. And it gets dangerous when politicians attempt to do so.

Sedláček: Questions of meaning only thrust themselves upon us when meaning has been lost. Modern economists behave as absurdly as the people in Douglas Adams' novel "The Hitchhiker's Guide to the Galaxy." The supercomputer Deep Thought is supposed to answer fundamental questions about life, the universe and everything else. It computes and computes, and then it spits out the final answer to the ultimate question: a number, 42.

SPIEGEL: And what's your answer, if not to the ultimate question, but to the crisis and debt trap?

Sedláček: Let me answer that with a question: Is a greedy life a good life? Is that what we want? The answer is self-evident. I'm sticking with Aristotle. Economics ought to be the science of happiness. And according to Aristotle, a happy life is a satisfied life.

SPIEGEL: Forgive me, but that sounds both banal and naïve. Aren't you worried that your fellow economists will deride you as a moralizer?

Sedláček: The attention that my theories attract suggests the opposite. I believe that politicians, especially the pragmatists, have understood this. Of course, it's difficult to convince them that painful reforms are necessary, especially in good times, and that something is wrong with the system, even though the gross domestic product is still growing.

SPIEGEL: So we need the crisis to come out of it strengthened, as they say?

Sedláček: Times of crisis are good for asking the right questions. We have to abandon the obsession with growth in economics. We have to get out of the manic-depressive cycle within which our economic everyday reality operates. And to do so, we have to pay more attention to the manic than the depressive phase, and we have to change the general goal of economic policy. Instead of maximizing the gross domestic product, the goal should be to minimize debt.

SPIEGEL: How is the one thing supposed to work without the other?

Sedláček: In a free-market democracy, politicians should be deprived of the right and the authority to incur debt, just as they have already lost the right to print money.

SPIEGEL: But the temptation to pay for government debts by printing money still exists.

Sedláček: I propose a new stability pact: In any given year, growth and the budget deficit together cannot exceed 3 percent of GDP.

SPIEGEL: Meaning that the budget has to be balanced at 3-percent growth, while new borrowing has to increase to 3 percent at zero growth?

Sedláček: Exactly, and surpluses have to be set aside in boom years. Let's remember the biblical parable of the seven fat and seven thin cows, and the advice Joseph gave to the pharaoh. An economic policy that only pursues growth will always lead to debt. And debt is a dangerous journey through time, while interest is a sinister weapon. Those who don't know how to handle it end up in a medieval debtors' prison, as the Greeks are experiencing today. The next crisis could be deadly.

SPIEGEL: You support an existential view of economics, a sort of meta-economics. How does it feel to be a philosopher among bankers?

Sedláček: Like a colorful bird, but not without respect. People listen to me. I appeal to something in the public consciousness. Our time lacks moderation. We have to try to achieve more self-control. The English poet John Milton put it brilliantly: "He who reigns within himself and rules passions, desires and fears is more than a king."

SPIEGEL: Mr. Sedláček, we thank you for this interview.