

Resolving the Euro Crisis: Towards Democratic Global Keynesianism¹

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Abstract

The 2008-9 crisis, the functioning of global financial system, and the European debt crisis that started in 2010 have been tightly intertwined. The Euro crisis is, in essence, a second phase of the epic recession that began in 2008-9. Moreover, the ideological underpinnings or inherent contradictions of the EMU are not specific to the EMU only. Similar ambiguities and imbalances characterize also the dynamics of global political economy as a whole. In this paper, I argue first that the Euro crisis requires reforms in the systems of global governance; and second that this conclusion should be generalized from a non-Eurocentric perspective. New mechanisms of global governance are needed, capable of adjusting deficits and surpluses in a fair and reasonable way and capable of steering the speed, direction, composition and distribution of economic growth on a planetary scale, also to ensure ecological sustainability. Relevant reforms include an expanded role for SDRs or a new global currency; a mechanism by means of which world trade deficits and surpluses can be automatically balanced; a debt arbitration mechanism; global taxes; elements of global fiscal policy & redistribution; and support for workers' rights and trade unionization on a planetary scale, both out of solidarity and to increase global aggregate demand. Governance has implications to power and democracy. Even though it is often desirable to increase the autonomy of states in conducting their economic policies, the initiatives to strengthen governance and develop new global institutions along the proposed Keynesian lines points to a different direction, towards global democracy. By combing these two considerations, what emerges is a vision of democratic global Keynesianism, presupposing a new global imaginary of ethics and politics.

Resolving the Euro Crisis: Towards Democratic Global Keynesianism

There have been two phases in the world economic crisis that started in 2008-9. In the first, the crisis was just barely contained by the actions of states and central banks. The OECD region sank into an epic recession, but managed to avoid full-blown depression. Although the crisis is global, its effects have not been evenly distributed. Uneven growth is part of the whole story of the development of the world economy, and was also a background factor on the 2008-9 crisis. There was only a small dip in the economic growth of China and some other Asian countries, in part because major resuscitative measures were taken in Asia too. The OECD region started to recover because of such measures, and over the course of 2010 stock market prices began to return to pre-crisis peak levels.

The rescue and resuscitation packages were funded to a large extent with public debt, however. Because of the crisis, a significant amount of private debt became public debt. The second stage of the crisis was triggered by the state debt crises in the OECD countries and especially in the Eurozone. Cuts to public expenditure also began to be demanded in those countries where public debt had not been a problem as such. When many countries implemented deflationary policies at the same time, overall demand fell both across Europe and in the world economy as a whole. The stronger the drive for public spending cuts and wage cuts for ordinary citizens, the worse the world economic prospects for growth became. This further exacerbated the debt problem, since recession depletes state revenue and increases expenses. The Euro crisis is thus essentially – although not only – the second phase in the global epic recession that started in 2008-9 and indicates the interconnectedness of the globalised world economy.

In its general social scientific meaning, *globalization* refers to the expansion of the field of societal relations, and to the decreasing significance of physical and temporal distances.² Goods, ideas, and technologies have travelled and have been transported over long distances relatively quickly for centuries, and more circuitously for millennia. Since the second industrial revolution in particular, means of transport and communications have developed dramatically. People's everyday experiences have become increasingly intertwined through world economic mechanisms and interdependencies.³ Nowadays real-time simultaneous communications from almost any part of the world to anywhere else are affordable and easy to many, and intercontinental flights are entirely routine for the wealthy classes. For these and related reasons, relations of power and dependency in society have become increasingly transnational and transcontinental. Globalization in this abstract spatial sense is not primarily

dependent on any dominant ideology.

Globalization in its second, economistic sense refers either to the interests and visions of transnational corporations, or to the neoliberal ideology. The term 'globalization' itself began to be used in various senses in the 1980s, and its economic meaning in particular quickly became widespread in the mainstream media. When Harvard Business School professor Theodore Levitt published an article on this theme in 1983, over a thousand companies quickly ordered a total of 35,000 copies of it.⁴ Since then, the article has been purchased and downloaded around a million times. It is a superlatively worded advocacy of truly global market strategies, as opposed to the traditional decentralized strategy of transnational corporations. At this time, historical developments favoured neoliberalism. In the 1980s, states had less and less success with leftist economic and social policies: in France, for instance, socialist president François Mitterrand's programme on taking office led to capital flight. In 1983, two years after his election, Mitterrand made an almost complete U-turn on economic policy. Increasingly many journalists, political leaders and also citizens began to believe British Prime Minister Margaret Thatcher's slogan that 'there are no alternatives'.⁵

Thatcher's neoliberalism is a doctrine of governance according to which competitive markets, or their administrative simulation within organizations, are the best guarantees of efficiency, freedom, justice, or all of these.⁶ Globalization is treated as being synonymous with the so-called Washington Consensus, a ten-point economic plan that for decades the International Monetary Fund, the World Bank, and the United States Department of the Treasury have thrust on all the countries that have been forced to turn to them for economic help.⁷ The programme has included liberalization of trade and investments, privatization, deregulation, strengthening of private property rights and of market mechanisms and market discipline, and various reforms related to taxation and the use of public funds. Also built into the programme has been the process of financialization, in which financial markets, financial institutions, and the financial elites steadily increase their hold over company activities, economic processes, and economic policies.

Conformity to these doctrinal demands has however been unrewarding: in the area of finance in particular, crisis has followed crisis in quick succession. In October 1987 world markets came close to complete collapse, and in the early and mid-1990s there were many financial crises, such as the banking and currency crises in Finland, Sweden, and Norway; the 1992 crisis of the European exchange rate mechanism, and the so-called Tequila Crisis of the Mexican peso in 1994. When the

Asian economic crisis of 1997-98 made headlines throughout the world, the editor of the left-wing French journal *Le Monde Diplomatique*, Ignacio Ramonet, called for ‘disarmament of the markets’.⁸ Ramonet caused a furore with his proposals: closure of tax havens, higher capital gains tax, and a ‘global solidarity tax’, the Tobin tax on currency transactions. Ramonet’s aim in writing the piece was to decrease the sense of social insecurity felt by ordinary citizens, and to improve the conditions for equality and democracy. The *Le Monde Diplomatique* office was soon awash with correspondence, with many readers worried by the developments of the 1980s and 1990s, writing to ask what they could do. When no one else took the initiative, the “le Diplo” journalists themselves formed Attac (*Association pour la taxation des transactions financières et pour l’action citoyenne, Association for the Taxation of Financial Transactions and for Citizens’ Action*), a citizens’ organization that developed networks throughout Europe and later worldwide. Attac rejects both Thatcher’s dogmatism and the Washington Consensus. ‘A better world is possible!’⁹

Economic theory is at the heart of debates on the direction of development. The reform proposals put forward by Ramonet and Attac draw on the economic theories of John Maynard Keynes and Michał Kalecki, and on revised and expanded versions of these (post-Keynesian theory). In the conditions of an irreversibly interconnected world economy, these theories cannot adequately be applied solely at national level; a global perspective is needed. One such perspective, though limited in scope, was presented in the 1970s by economist James Tobin, in the form of a proposal for a global tax on currency exchanges.¹⁰ Tobin generalized Keynes’ proposal for stock exchange taxes (‘When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done [...] It is usually agreed that casinos should, in the public interest, be inaccessible and expensive. And perhaps the same is true of Stock Exchanges’).¹¹

Tobin’s brief but important step towards new worldwide solutions and institutions can and must be generalized to apply to other activities and mechanisms also. As a follower of Keynes, Tobin was well aware that the formation of effective aggregate demand in a single country is dependent on what happens elsewhere.¹² My argument for global Keynesianism goes further than Tobin’s. Merely coordination of economic policies between states or the implementation of a currency transaction tax, for example, are not enough to make the governance of interdependence sustainable. The euro crisis is also an indication of the importance and urgency of thoroughgoing reforms to the system of governance of the world economy. Because the EU is intertwined with worldwide political economic

processes, including financialization, global reforms would also contribute to the metamorphosis of the EU. What are needed are the sorts of global governance mechanisms that can shape the supply of money in the system, balance surpluses and deficits on an equitable basis, and can direct the formation, composition, and distribution of economic growth.

Economic governance is an essential part of democracy, as Tobin emphasized in his own proposal. However, Tobin remained tied to the traditional nationalistic worldview. But in an interconnected world, democracy can also be applied transnationally and globally. In increasing measure, transnational and global realities conflict with the assumption that decision-makers are – or should only be – held accountable to the enfranchised citizens of their own country, and with the assumption that the effects of political decisions remain confined to within the territorial borders of states. Even if increased autonomy for states in economic policy-making could — and indeed sometimes can justifiably — be a crucial ethico-political goal, initiatives for new institutional arrangements point in the rather different direction, namely towards global democracy.¹³

When these two views are combined, the result is a vision of democratic global Keynesianism. The central problem for making this vision a reality is the prevailing social imaginary, which does not sufficiently correspond to real-world social conditions. Imaginaries are comprised of metaphors, mental frames, and stories that enable understanding of things that are abstract and removed from quotidian experience. At the end of this paper I sketch some new metaphors, frames, and stories that help in forming sensible solutions both to key problems of global political economy, and to other big questions about the future, concerning for example security and the environment. The prevailing identities and political communities can be modified through imaginaries and common institutions. This kind of transformation requires new answers to the perennial questions: who are we, to what communities do we belong, and where are we going?

Global Keynesianism: The Holistic Viewpoint

As an economist Tobin considered himself ‘an old Keynesian’.¹⁴ He first proposed an international currency exchange tax in 1972, at the time the Bretton Woods system was crumbling and the world was shifting to an era of floating exchange currencies and free movement of capital. Tobin’s initiative was

based on Keynes' proposal in the 1930s of a sizeable government transfer tax on all equity transactions. Keynes also made many other proposals, including for a tax on currency reserves, and these too may have influenced Tobin.¹⁵ He generalized Keynes' proposal and applied it to currency markets. After several decades and financial crises, a currency exchange tax has become a central demand of the alter-globalization movement. The idea is still relevant, since foreign exchange has been left out of the European Commission's proposal for a financial transaction tax.

In 1978 Tobin suggested that a currency exchange tax would be only a second-best solution to the problems created by acutely fluctuating currency exchange rates and, more crucially, by rapid movements of capital. The better solution would be integration. If there were only one global currency in the world and one central bank, there would be no need for an exchange tax. As the example of the euro has now shown, the creation of a common currency is a complicated and demanding undertaking. In order for the global currency project to be realizable, many other things would also be necessary, including a global monetary policy and a common fiscal policy. And for both these prior requirements, far-reaching economic integration is essential. From the perspective of political possibilities also, a common global currency remains a far-fetched aspiration: 'however appealing, [it] is clearly not a viable option in the foreseeable future, i.e., the twentieth century'.¹⁶ In the new century the time for a world currency and central bank may come sooner than we think, but not without extensive changes to prepare the ground for them.

Following Keynes, Tobin stressed the importance of coordinated economic policy between states, with a far-reaching and more global outlook on the shared responsibilities of states. Regardless of whether the governments of the largest industrial countries acknowledge it or not, together they and their central banks 'are making fiscal and monetary policy for the world'. Tobin warned that this system could easily create vulnerability to 'the burdens of much more damaging protectionist and autarkic measures designed to protect economies, at least their politically favoured sectors, from the consequences of international financial shocks'.¹⁷ In other words, an uncoordinated free trade and financial system can create financial crises, unemployment, and other problems that in a later phase lead to the rise of economic nationalism and measures of self-sufficiency or even autarchy, with harmful consequences to worldwide wealth creation. The whole is dynamic: in weighing up the options one must take into account the likely historical consequences, both economic and political.

Free-floating currency exchange rates are not stable. Transnational flows of capital react too

sensitively to even small interest rate and other differences, and hamper autonomous and sustainable economic policies. Tobin's proposed solution to excessively fast and massive flows of capital was a currency transaction tax that would decrease and slow worldwide financial flows. This would increase the autonomy of state monetary and economic policies by 'throw[ing] some sand in the wheels of our excessively efficient international money markets'.¹⁸ This departure in outlook from orthodox neoclassical economic theory – and also from the European Commission's proposed financial transaction tax – is significant. From an overall economic point of view, large and overly 'well-greased' financial markets are a cause of inefficiency, and make sensible economic policy-making difficult.¹⁹

The several goals of a currency exchange tax – efficiency, justice, and democracy – are widely understood, as is the way in which their realization is dependent on specifics of the taxation regime.²⁰ In this connection it is crucial to know why Tobin placed such a high priority on coordination between states' economic policies and on their shared cosmopolitan responsibilities. These priorities follow directly from Keynesian economic theory and the holistic perspective on which it is founded, according to which the formation of demand is seen from the standpoint of all actors and countries at once. Applying this perspective methodically is the very basis of global Keynesianism.

Throughout the 1930s Kalecki and Keynes developed theories of effective demand and of the so-called multiplier effect. Any increase in demand will increase the degree to which overall production capacity is utilized. Investments have a very special role, however: fixed real investments increase long-term productive capacities, while at the same time create immediate multiplier effects on aggregate demand and on how current capacity is utilized. For instance if a firm builds a new factory, it gives plentiful employment and increases the demand for raw materials and intermediate product, which provides further employment and strengthens demand for goods and services. To absorb the increased productive capacity, however, more demand is needed in the future.

Increasing private or public consumer demand also has multiplier effects. Cleaning streets or maintaining public gardens, for instance, increases the demand for goods and services and provides employment, which increases others' income and profits, which in turn creates further multiplier effects. All these activities increase effective demand, with a gradually weakening impact. The dynamic of growth and investments in the capitalist market economy tends to be cyclical. An upward spiral (the fast growth phase) dominates up to a certain point, but when the turn comes the same mechanisms start to pull in the opposite direction (depending on the conditions, towards recession or

even depression).²¹ Demand can also be created or maintained through public measures.

One major problem, however, is that national economies are not closed systems but parts of an integrated world economy. The more connected economic activities within the borders of a state are to the processes elsewhere in the world economy, the more the effects of public policies will spread elsewhere. Already Keynes acknowledged that ‘in an open system with foreign-trade relations, some part of the multiplier of the increased investment will accrue to the benefit of employment in foreign countries, since a proportion of the increased consumption will diminish our own country's favourable foreign balance’.²² Depending on the country's position in the world economy, this can easily decrease interest in pursuing Keynesian economic policies. In addition, if the timings of expansionary or contractionary economic policies of different states are contradictory, or even worse, if states attempt to transfer their economic difficulties abroad by increasing their exports (relative to imports), the end result can be bad or even catastrophic for many countries, or for all. What is crucial thus is that all participate fairly in maintaining adequate domestic demand, which creates export possibilities for the others. In this way, all countries create the common conditions needed for growth.²³

This is the logic according to which Tobin came to find coordination among economic policy-makers so important. In the prevailing conditions, therefore, Tobin espoused the use of two strategies at the same time: increased autonomy for state economic policy-making, and extensive cooperation between the economic policy-makers of different countries. There may be no direct contradiction between these two strategies. From Tobin's perspective, most important of all is that politics controls the economy and not the other way round. Still, there is some tension between the two strategies: how can coordination of autonomous national economy policies succeed without common institutional arrangements that are binding on all? Tobin did not consider the politics of such coordination in any depth, instead giving his recommendations as an economic theorist researching economies as “separate” from politics and power relations.

The problematic of an intertwined world economy affects the conditions for economic policy not only through trade relations or through their governance by the World Trade Organization, but also in many other ways.²⁴ Trade requires a global monetary and credit system, and must always be conducted in some currency or other. Since the end of the Second World War the US dollar has occupied this central role, but it is not the only trade currency. In a world of many currencies, currency exchange proceeds in accordance with some principle, and these principles have changed over time. The same

applies to credit. Deficits can be bankrolled with credit, which is always granted in some currency and subject to certain conditions. A state's possibilities for managing its economy are crucially influenced by its position in the international division of labour, its balance of trade deficit or surplus, and the institutional mechanisms of the global monetary and credit system. The fates of countries are intertwined through the prevailing institutional monetary and credit arrangements, which can be more or less fair or one-sided, legal or obscure, functional or crisis-prone, sustainable or fragile. All institutional arrangements are amenable to change.²⁵

In addition to trade and money, the interconnectedness of the world economy can be understood from a third perspective, through relations of production. Industrial production has always been dependent on the supply of energy and raw materials. In the 1800s and 1900s trading companies and empires were active in ensuring the reliability of raw material supplies, and since the late 1800s transnational firms have extended production and sales processes from country to country. The more complex the finished product, the more likely it is that processes involved in its manufacture and sale have been divided into different phases. Sub-contractors are also commonly used. Mobile phones, for instance, can contain the work of hundreds of companies. Completion of the final product is dependent on the entire supply and production process. Increase in the demand of the final product, apparently produced in one country, affects the economic prospects of numerous firms and their employees across the world.

The high mobility of production and money, and advances in transportation and communications have made it possible to decentralize production processes to different parts of the world. At the same time as the multinational nature of production intensifies the interdependence of different regions of the world economy, it lessens the multiplier effect of domestic demand. And at the same time as production chains are increasingly dispersed throughout the world, the domestication of profits for tax-related considerations – often meaning simply tax-evasion – becomes correspondingly easier, almost anywhere in the world and especially in tax havens. These developments have effects on states' economic policies and tax revenue, and on power relations, which also partly determine the limits of economic policy. Mega-companies have significant structural power over national governments.²⁶ When production and its components can be easily dispersed geographically, the bargaining position of domestic workforces relative to transnational capital becomes weaker. Monitoring, regulation, and steering of how relations of production are formed and of their effects are only possible through

worldwide concerted actions and common institutions.

Towards Global Keynesian Institutions

Global Keynesianism is an approach that frames questions of public economic policy and politics more generally on the world economic scale.²⁷ Global Keynesianism aims to regulate global interdependencies in such a way as to produce stable and high levels of growth, employment, and welfare for everyone and everywhere, simultaneously. Global Keynesianism is an ecologically responsible doctrine: governing interdependence could not otherwise be sustainable. The main themes of global Keynesianism are public administration, democratic politics, mixed economy, global taxation, global redistribution of wealth, global aggregate demand, joint management of investments and financing, ecological sustainability, and the many levels and contexts of governance and their interconnections.

The term “global Keynesianism” entered the literature in the early 1980s, and to start with was mainly used by critics of the Brandt Report, published in 1980.²⁸ Soon advocates of the approach adopted the term also.²⁹ The Brandt Report developed the idea of a world civilization for the new millennium, and proposed a new international economic system. Among the mechanisms that this would include are global taxes, the revenue from which would be used in efforts to eradicate poverty and to promote economic development of the global South. At the time of the Report, soon after the 1970s oil crisis, concern about world economic problems was widespread. The Report warned, in the spirit of Keynes, of a repeat of the developments of the 1930s, the likelihood of which could increase with dwindling supplies of raw materials and energy.³⁰ It also noted that the accumulation of debt in the developing countries of the global South following the oil crisis had contributed to maintaining demand in the industrialized northern countries.³¹ The problem is that accumulation of debt by the poor countries is not a sustainable way of ensuring sufficient levels of overall demand, as has been shown by the global debt crisis that started in the early 1980s. Interdependency is irreversible, but better methods and mechanisms are needed to govern it.

The Report also included consideration of how transfer of global resources could contribute to the South’s economic development and industrialization, and at the same time act as a common stimulus package for the entire world economy (by means of development aid, transfer of funds

through taxation, and debt arbitration). Expansion of balanced markets would contribute to growth in all parts of the world economy, but not without problems of adjustment in the affluent North. The import of products from the global South replacing domestic industrially produced equivalents — in later years, above all from China — most harshly affects residents of the poorer regions of OECD countries, particularly those with less skills and lower levels of education. The task of states is to actively facilitate adjustment to these changes by maintaining full employment, supporting alternative sources of employment, and implementing or maintaining active regional policies.³² Other suggestions made in the report include:

- price stabilization mechanisms for primary products, benefitting above all the developing countries;
- a controlled and actively supported transition towards renewable energy sources;
- and common legally binding regulations on the investments and other activities of transnational companies.

The Commission also recommended a new world monetary and credit system.³³ According to the report, regional arrangements such as the European Monetary System require a functional global monetary and credit system.³⁴ The Special Drawing Rights system set up by the International Monetary Fund in 1968 was the first step towards a genuinely international currency.³⁵ This system should be developed and extended: the monetary system of the future cannot be based on the currency of any particular country, but should rather be founded on a jointly approved global currency. This future currency would form the basis for currency reserves, and could also be used to help control the amount of liquidity (the combined total supply of money) in the world as a whole.

Surpluses and deficits would be counted in the global currency. Adjustment mechanisms that apply in the same ways to all parties could prevent the accumulation of surpluses and deficits, for instance through reallocation and redistribution of SDRs. A function of the IMF is to lend money to deficit countries when necessary. Although in the view of the Brandt Commission some loan conditions are understandable — as a bank, the IMF must ensure that it gets its money back — the dominant IMF conditions typically have effects that are the opposite of those intended, and are particularly harsh to the most vulnerable debtors. If the IMF demands deflationary structural adjustments from a state, the onus is on the organization itself to show that these are justified, as it must assume responsibility for the effects of these measures on solvency, income distribution, employment,

and social services. Irrespective of the content of the conditions, the time allowed for implementing the adjustments must be sufficiently long (the use of earth's orbit around the sun – a year – as the basic time-unit of economic processes is arbitrary and highly problematic). Also, power should be distributed more evenly by giving a greater role in decision-making to developing countries.³⁶

The Brandt Commission's proposals awoke widespread discussion, but they led to no practical measures. Over three decades later, the most far-reaching of the report's proposals remain unrealized. In the early 1980s, the world was increasingly pushed onto the path of the neoliberalism espoused by Thatcher and Reagan. But the neoliberal world order itself also tacitly contains some global Keynesian elements. In practice, the United States has had the role of the main engine of demand in the world economy. The country's chronic deficit, except for a few years during the 1990s, and ability to pay off its debts by printing dollars and by mobilizing dollar-valued sovereign bonds have bridged the gaps in global aggregate demand. Demand has been maintained through increasing the levels of debt more generally too, which is a central element of the financialization process. This state of affairs came to an end with the 2008-09 crisis and its aftermath, however.³⁷

Even if Europe's stability mechanism of the austerity programmes of the US and Britain were to succeed in stabilizing the situation in the short term, which is unlikely, there are no grounds for assuming that the world economy can return to pre-2008-09 growth path, which in any case was leaning more and more downwards. Financial fragility constrains private deficit consumption, and increasingly stringent conditions are now being imposed on public deficit consumption. The US is unable to serve as the global demand engine any longer.

Global Keynesianism offers an alternative to following the neoliberal path to the bitter end.³⁸ By intervening in the immediate and fundamental causes of the economic crisis that began in 2008, global Keynesian New Deal would prevent the future development of the same conditions that have led to the present crisis. By influencing the conditions for economic growth and its sustainability, the New Deal would reduce the amount of social antagonisms and would at the same time create conditions for effectively tackling the major future challenges facing industrial civilization. Such a New Deal would be a large stride towards the sort of world that could come to terms with its own interconnectedness in an ethico-politically meaningful way. The following are just some of the elements that belong to an ecologically sensitive global Keynesian programme of reform:

- an expanded role for SDRs, or alternatively the establishment of a new global currency, and the creation of a mechanism by means of which world trade deficits and surpluses could be automatically balanced (based on Keynes' International Clearing Union, the Brandt Commission proposals, and other more recent proposals);³⁹
- a debt arbitration mechanism and reform of the money and credit system in order to put financing on a sustainable basis;
- support for workers' rights and trade unionization on a planetary scale, both out of solidarity and to increase global aggregate demand;
- global taxes, such as an armaments tax and various financial transaction taxes, and a greenhouse gas emissions tax;
- an adequate basic level of education for all, implemented in such a way that funding for realization of the universal right to education would also be seen as part of the global redistribution of wealth;
- regulation and maintenance of demand at a universal level, which presupposes the coordinated institutionalization of economic policies between nation-states and functional international organizations — coordinated for example through a world parliament.

Global Keynesianism rests on an economic theory that holds that within a continuously changing world economy, two general tendencies nonetheless hold: uneven and contradictory trajectories of development that can be self-reinforcing, and development and inequality gaps that are often prone to widen.⁴⁰ Through tackling the contradictions and inequalities of the world economy and creating a new, planetary institutional framework, this whole entity can be made to work more sensibly, sustainably, fairly, and with more foresight than the present system. Crucial for overall development of the world economy is to build up efficient demand at a level corresponding to ever-increasing productive capacities – in a world characterised by increasing ecological limits to growth.

A central Keynesian idea is that a relatively even distribution of wealth is beneficial from the perspective of aggregate demand, not least because less well-off consumers consume the bulk of their income. Within many countries and also globally, rising inequalities between groups and classes are a problem.⁴¹ For this reason, the goal must be to raise real wages and other income, especially in the

global South, which would also lessen pressures to cut wage levels in the global North and expand the southern markets for northern goods.⁴² This cannot be brought about without broad political support for trade union movements and organization of labour power throughout the world. As such, workers' rights and systematic worker organization could become the central goal of planetary economic policy for states and international organizations.

Registration and taxation of the arms trade would have many simultaneous objectives.⁴³ First of all, arms registration would bring transparency to states' military capacity, and to its direction and pace of development: it would become clear to all what weaponry each country is buying and selling. Arms taxation, for its part, would claim a portion of the profits on the arms trade for other purposes, such as poverty eradication and development. This source of tax revenue could be channelled especially to those parts of the world where there is acute risk of civil war. Various proposals in this vein have been made since the 1980s. In 2003, French president Jacques Chirac and his Brazilian counterpart Luiz Inácio da Silva proposed an arms trade tax as part of their efforts to reduce poverty and to create innovative new funding mechanisms.⁴⁴

The European Commission's 2011 proposal for a Europe-wide financial transaction tax contains no proposal for taxing currency exchanges. In June 2012, a group of nine EU countries is proceeding on the basis of this proposal. Because of the exclusion of currency trade, the proposal leaves open the possibility of working for a global currency transaction tax in tandem with the European financial transaction tax. The aim of a currency exchange tax would be to impose some much-needed calm and stability on the global financial system, and at the same time generate revenue for global initiatives for the common good. A global greenhouse gas emissions tax, for its part, would provide an incentive to reduce the use of fossil fuels and to step up development of more energy-efficient technologies and other sources of energy. This tax would be aimed at influencing company investments and also individual consumers, and the revenue it could generate could far outweigh that generated by a global currency transaction tax. The best way to realize these or other global taxes would be to assemble like-minded coalitions for negotiating and implementing a treaty and a functional international organization for implementation of the system first amongst themselves.⁴⁵

A certain proportion of global tax revenue could be used to fund a universal basic education system for the whole world. A well-functioning system of this kind, motivated by cosmopolitan solidarity, would be one means of simultaneously promoting growth and peaceful politics for the future.

Education is an essential condition for industrial development, and education for girls in particular helps to hurry all the world's countries and regions through swift demographic transition and to bring population growth (an ecological problem) to a head as soon as possible. Basic education cannot work unless local actors and conditions are centrally involved in organizing it, and neither can development come about without a sustainable local tax base. With the aid of a global fund, however, education could be actively advanced everywhere there are difficulties in providing equitable basic education to all.

A global Keynesian programme also includes the establishment of many new functional organizations, such as tax organizations, and each of these would have multiple times larger funds than any international organization currently extant. From the standpoint of regulating global aggregate demand, the key question is how to create the kinds of institutional arrangements that would allow coordination between the economic policymakers of states and international organizations. One possible solution to this is a world parliament. This would not need to have legislative powers, nor need it be the sovereign centre of the world community; it could be a conglomeration of various coordinating bodies, and the highest interpreter of international and later cosmopolitan law.

The Argument for Global Democracy

At this stage it is useful to return to James Tobin's ideas. When Tobin presented his idea for a worldwide currency transaction tax, his most important goal was to safeguard the economic policy autonomy of sovereign states.⁴⁶ Tobin did not consider the monetary system from the perspective of economic theory or economic policy, but rather saw that the question was also one of democracy, which has inherent value irrespective of economic effects. In the same spirit Tobin argued in 1999 that '[t]o claim, as some right-wing ideologues did, that the victory of the West in the Cold War was the victory of economic liberalism was ridiculous: it was the victory of democracy and the mixed economies'.⁴⁷ Despite Tobin's understanding of democracy as a value in its own right, he was not prepared to apply the democratic principle beyond the borders of nation-states.

Tobin's argument on democratic grounds for a global currency exchange tax can be generalized

into an argument for global democracy. Tobin's ambition was to reduce the size, volume, and power of excessively "efficient" transnational financial markets in light of their many undesirable consequences, including to national autonomy. In some sense he also understood that the present institutional arrangements could be transformed, although this would not be politically easy. The argument for transforming unnecessary and undesirable worldwide power relations is fundamentally an argument for global democratic emancipation.⁴⁸ The present institutional order is not natural or inevitable, nor even very effective. On the contrary, its various elements are in many respects founded on mistaken theoretical and ideological assumptions.

Global finance has become an established part of transnational power relations. There are good reasons for making the relations between finance and credit more equitable and democratic. The creation of a currency transaction tax could well be one part of the sort of ethico-political response that would open the dominant hierarchical power relations to political conflict and change. But for this goal to be attained consistently, both the means and the ends must be democratic. This idea can be further generalized to apply to all the areas of governance to which the global Keynesian argument also applies. When the processes are intertwined and in conditions of deep interdependence, relations of power are necessarily involved. Emancipation from non-essential and undesirable power relations is possible through common democratic governance, or even through government. Democratization can be brought about either by changing existing systems, or by creating new ones.

Too often, democracy is treated as merely being synonymous with elections and parliamentarianism. Global democracy refers to a complex and multi-level network of different systems of governance, within which democratic principles can be combined in different ways.⁴⁹ But a world parliament could also have a significant role in this system in the future. It would be a global body, with representatives elected on the principle of one person, one vote. Yet a world parliament would not otherwise need to replicate the institutional frameworks of already-existing parliaments.

The central function of the world parliament could be to coordinate economic policy and other activities between states and functional organizations. A second reason for the creation of a world parliament derives from the contradictions and indeterminacy of international law. Law is always vague, but this usually does not cause problems of legality when legislators, judges, and citizens share many of the same background assumptions and values, and when approved and legal procedures exist for resolving interpretive conflicts. In world politics, by contrast, different parties can be radically at

odds as to how to interpret laws. There is for this reason a need for a legitimate body that can solve interpretive conflicts and clarify what the law is. Such a proposal could give real powers to a world parliament, but on the other hand it would avoid the familiar problems and dangers of proposals for world federalism based on the idea of a sovereign legislative centre.⁵⁰

Towards Planetary Politics and a Global Imaginary

Democratic global Keynesianism is a cosmopolitan doctrine. It does not approach matters from the standpoint of any single group, nation, or state, but rather takes as its starting point the global political economy as a whole, with all its ecological and other consequences. Democratic global Keynesianism also rejects the assumption that the world has a centre — Eurocentrism is as bad a starting point for understanding the world economy as sinocentrism. From a holistic perspective it is clear that the euro crisis is also a manifestation of neoliberal globalization and worldwide financialization. The European Monetary Union has its origins in the collapse of the original Bretton Woods system in the early 1970s. The EMU's founding ideas are rooted in precisely the same economic theories as the neoliberal ideology itself. The global financial crisis of 2008-09 triggered the EMU crisis. Although the EU itself could in principle resolve the ongoing euro crisis, at least for the time being, the key to a sustainable solution lies in reform of the system of governance of the world economy.

Democratic global Keynesianism can also explain why and how a world economy that rests on traditional orthodox economic liberal doctrines and their neoliberal variants are easily driven to one-sided and parochial reactions and counter-reactions. Mere market globalism is on no more stable a footing than nationalism, and both are part of the same mutually dependent system of sovereign states and capitalist market economy. In place of this combination we need global Keynesianism.

But even if cosmopolitanism is theoretically correct, can it work in practice?⁵¹ Are people not by nature communal animals in the Aristotelian sense? Isn't our thinking based on language — in a world full of different languages? The conflict between communitarians and cosmopolitans began in the city-states of antiquity. Cynics and heliocentrists opposed the Aristotelian city-state-centric and geocentric worldview. Much later, the scientific revolution in Europe returned heliocentric and cosmopolitan thinking to the fore. Enlightenment philosophers criticized and ridiculed those who believed their own city, country, or civilization to be the centre of the world, or even superior to others.⁵²

During the Enlightenment, however, almost everyone was in practice still confined by poor means of transport and communications within a relatively narrow geographical scope. Practically no Enlightenment-era philosopher had ever ventured beyond Europe. The most famed proponent of ethico-political cosmopolitanism, Immanuel Kant, spent his entire life, from 1724 to 1804 in the Prussian town of Königsberg where he was born. Though Kant never travelled more than fifteen kilometres from the town, he had an extensive philosophical and scientific library at his disposal. At the time he was producing his cosmopolitan writings in the late 1700s, the capitalist press and the revolutionary wars were fostering the rise of nationalism. The period from the Napoleonic wars to the Second World War and the independence of the former Great Power colonies was the golden age of nationalism. Each nation trumpeted its distinctiveness and excellence on the basis of the same ideas.⁵³

The Second World War was the first genuinely global war. New communications technology enabled immediate reporting from all fronts across the globe, while enabling intensive domestic propaganda campaigns on a massive scale.⁵⁴ Globalization has created an everyday awareness of the world's interconnectedness, even though new technologies can also increase divisions and fragmentation. In any case, the foundations of a planetary imaginary have been laid through the development of new technologies and world economic interdependency.

In social theory, the concept of an “imaginary” refers to the parameters within which people can develop mental pictures or maps of their own social existence.⁵⁵ In order for an envisioned social reality to be realized in social practices and institutions, it must first be imagined. This is in accordance with the principle *verum esse ipsum factum*: the true is precisely what is made.⁵⁶ Because people are always born into already-existing practices and institutions, the social world appears to us to be given as an objective reality. And indeed in many ways it is, since in social realities that are constructed in this way there are also many relations, connections, and mechanisms that people cannot (fully) understand or control. This includes power relations to which they often adapt, even despite their opposing them.

Social reality is made possible by the imaginative capacities of human beings, and it rests on the prototypes, categories, frames, and metaphors that are present in, but particular to, every language and historical period. Through tacit background assumptions and structures of meaning, plausible stories can be told of who we are, where we have come from, and where we are headed — and what our common interests are. Nationalistic thinking is structured this way, but it is also possible to create and

advance a global imaginary.⁵⁷

Cosmopolitan prototypes, frames, and metaphors were developed already during the Copernican revolution: if the Earth is not after all the centre of the universe and everything else does not orbit it, how could any arbitrarily chosen point on Earth – itself a sphere – be a “centre” of the world? Giordano Bruno, Christiaan Huygens, and Voltaire went even further, by conceiving of myriad solar systems that each had worlds similar to our own, but which were possibly more technologically and morally advanced. Kant began his philosophical career by developing the concept of a galaxy and a naturalistic theory of the origins of the solar system.⁵⁸

The League of Nations, the United Nations, and the Bretton Woods institutions could never have come into being without a cosmopolitan consciousness. Since the end of the Second World War market globalism has given rise to many planetary prototypes, frames, and metaphors for commercial purposes. Many are familiar with the photo taken from Apollo 17 on the journey to the Moon: the Earth illuminated by the Sun is the stuff of countless logos, book covers, and Internet images. Environmental and aid organizations were the first to make use of the photo. And later it was resorted to by many intellectuals, who rather than treating the planet as a 24-hour shopping centre relate to it as their home.⁵⁹ In the 1960s and 1970s many alternative movements adopted the slogan “Act locally, think globally” — but why should thought and action be shackled to any one place on the planet’s surface? Shouldn’t we think cosmically and act globally?⁶⁰ Don’t shared problems demand global solutions?

Visual prototypes and metaphors are not enough however to create a global imaginary. Also needed are prototypical stories and their role models, so as to provide the whole with meaning. H. G. Wells launched the idea of real world history almost a century ago, and this has since become part of both global and universal history, or Big History. In these stories, the history of humankind is naturally linked to the history of the human species, through an incremental transition from biological to cultural evolution. The history of the human species becomes parts of biological evolution through systematic increases in diversity and complexity. In turn, the history of life forms part of the history of the solar system and the galaxy. This is the transition from cosmic to biological evolution. Through these developments, world history is framed as part of an immensely broader process, which offers the possibility of seeing activists and politicians as role-players in a cosmic drama.

From this angle, Wells’ assessment of Woodrow Wilson, for example, at the Versailles peace

negotiations in 1919 is very similar to that Keynes: 'The worldwide outbreak of faith and hope in President Wilson, before he began to wilt and fail us, was a very significant thing indeed for the future of mankind'.⁶¹ At Versailles, Wilson's cosmopolitanism wilted in the face of primitive nationalism and the urge for discipline and revenge. 'The first attempt to create a world law faded like laughter at an inn'.⁶² To Wells, this was however merely an attempt on the journey towards a unified and democratic world community. Things were taken further after the Second World War, and since then there has been a steady proliferation of international treaties and organizations.

In his 'Big History' developed in the 1990s and 2000s, David Christian emphasizes the success of diplomats and environmental activists in reversing some environmental trends. Many endangered species have been saved from extinction through cooperative efforts, and air pollution in Europe has been markedly increased through international treaties. The 1989 Montreal Protocol on Substances That Deplete the Ozone Layer has had some success.⁶³ These achievements also can be understood as early steps towards a more functional world community (on the cosmic scale, a few decades or centuries are vanishingly small periods of time).

Warren Wagar has outlined some of the role models that may become central to the historical developments of the coming several decades. In his 'short history of the future', the capitalist world economy drifts into a major depression in the near future, simultaneously with the worsening of climate change.⁶⁴ A group of students form a study group that over time develops into a global political party. After the global catastrophe this party becomes the central political force in the world, and it eventually succeeds in creating a democratic socialist global republic. This in its turn turns out to be only an intermediate phase, since through the development of human capabilities centralized states become redundant. These kinds of stories are prototypes: they frame topical historical events and offer expectations and behavioural models for the future. In product development, a prototype is an early model that is used to test and further enhance ideas or processes.⁶⁵

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What Comes after Globalization?

Globalization in the first sense of the term refers to the historical situation in which the world is irreversibly intertwined and in which a basis for a planetary imaginary has already been built via the

development of technologies and world economic practices and institutions. In its second, political sense, globalization denotes the project of the liberalization of profit-seeking private capital from all constraints. This project came to a head through the 2008-09 crisis and its aftermath. Aggregate demand in the world economy can no longer be maintained with the aid of the United States' overconsumption, financialization, and accumulation of private or public debt.

The process of European integration could also tumble, unless there is a successful change of direction. The fragmentation of the EMU as a result of the ongoing economic difficulties would cast doubt on and politicize the basic principles of the EU, while legitimation problems could prompt the core EU countries develop a social democratic federation. The more Eurocentric and short-sighted is this federation's self-perception, the more prone it would be to merging with the prevailing conditions of the global political economy, with all their contradictions. A better possibility would be for the EU to be able to develop common institutions as part of a broader global whole. This would also enable and ease the EU's own reformation.

A permanent debt arbitration mechanism that upholds the rule of law would enable swift and timely response to debt crises before they get out of hand. This mechanism would not be enough by itself, for instance, if several large economies got into economic trouble simultaneously. Problems also arise if creditors' own finances are fragile due to their being in debt themselves. For debt arbitration and restructuration to work, finance as a whole must be sustainably based. Making it so demands the sort of institutional measures and mechanisms that can be only partly created within limited territorial states.

In this paper, I have outlined a global Keynesian New Deal. By tackling the immediate and fundamental causes of the economic crisis that began in 2008, this New Deal would prevent the repeat of such serious economic crises in the future. By shaping the conditions for economic growth and its sustainability, the new common institutions would reduce the amount of social antagonism and at the same time create the conditions for solving problems of industrial civilization. The global Keynesian New Deal would also be a long stride towards a world with a self-understanding that adequately reflects the intertwined reality of the world economy.

When processes are intertwined and interdependency is the norm, relations of power and asymmetric dependency also develop. These can be democratized either by changing existing systems

of governance, or creating new ones. Global democracy requires however that a sufficiently large proportion of actors think and act cosmopolitically. The idea of an “imaginary” refers to the parameters within which people create images or mental maps of who, what, and where they are. The global imaginary arises from prototypes, metaphors, framing, and stories that derive from the world as a whole, its history, and the future that is only beginning.

An interwoven world requires the ability to grasp the dynamic and historically evolved wholes of which we ourselves are parts. This could be called a *holoreflexive* understanding.⁶⁶ The term refers to the ability to see things, such as ourselves and our daily lives, as parts of worldwide developments and social structures. The spread of holoreflexivity entails the politicization of the world economy, and the forging of new systems of governance. A different kind of globalization is possible.

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² Globalization in this sense is not a thing, an actor, or a mechanism that explains much else apart from the possibility that social relations can be maintained with increasing ease and intensity across time and space. Many theorists of globalization have mistakenly used globalization to “explain” various concrete phenomena, without having specified the relevant structures, forces, and mechanisms. See Justin Rosenberg (2001) *The Follies of Globalisation Theory*, London: Verso.

³ See e.g. John M. Hobson and Leonard Seabrooke (2007) *Everyday Politics of the World Economy*, Cambridge: Cambridge University Press.

⁴ Theodore Levitt (1983) ‘The Globalization of Markets’, *Harvard Business Review* (May-June), 92-102; available e.g. from <http://www.vuw.ac.nz/~caplabtb/m302w07/levitt.pdf> (accessed 26 June 2012).

⁵ Before coming to power Thatcher frequently spoke of how societies based on free enterprise’ are the morally superior choice; see e.g. her speech launching “Free Enterprise Week” on 1 July 1975, available at <http://www.margaretthatcher.org/document/102728> (accessed 26 June 2012). After becoming Prime Minister however, Thatcher began to justify her political choices on the lack of alternatives. A collection of Thatcher’s speeches and public statements from the 1940s onwards can be found at <http://www.margaretthatcher.org/speeches/default.asp> (accessed 26 June 2012). Alternatives, and the lack of them, are mentioned in many of the speeches.

⁶ On the term *neoliberalism* and the reasons for its controversy, see Heikki Patomäki (2009) ‘Neoliberalism and the Global Financial Crisis’, *New Political Science* 31 (4), esp. 432-6.

⁷ The ten points are more of a reconstruction of the policies that have been and still are being imposed throughout the world from Washington, rather than being a declaration of the IMF's, the World Bank's, or the White House's own programme. See John Williamson (1990) 'What Washington Means by Policy Reform', in John Williamson (ed.) (1990) *Latin American Readjustment: How Much has Happened*, Chapter Two. Washington, DC: Institute for International Economics, available at <http://www.iie.com/publications/papers/paper.cfm?researchid=486> (accessed 26 June 2012).

⁸ Ignacio Ramonet (1997) 'Désarmer les marchés', *Le Monde Diplomatique* (Décembre), available at <http://www.monde-diplomatique.fr/1997/12/RAMONET/9665> (accessed 26 June 2012).

⁹ On the foundation of Attac see the interview with Bernard Cassen (2003) 'On the ATTACK', *New Left Review* 19 (1), 41-60, available at <http://newleftreview.org/II/19/bernard-cassen-on-the-attack> (accessed 26 June 2012). On the rise of the global taxation movement, see Heikki Patomäki (2007) 'Global Tax Initiatives: The Movement for the Currency Transaction Tax', available from the website of the United Nations Research Institute for Social Development, <http://www.unrisd.org>.

¹⁰ James Tobin (1974) *The New Economics One Decade Older*, The Eliot Janeway Lectures in Honour of Joseph Schumpeter, 88-92. Princeton: Princeton University Press; James Tobin (1978) 'A Proposal for International Monetary Reform', *The Eastern Economic Journal* 4 (3-4), 153-59.

¹¹ John Maynard Keynes (1961) [1936] *The General Theory of Employment, Interest and Money*, 159-60. London: MacMillan.

¹² The interdependency perspective is evident in many of Keynes' writings and proposals regarding international affairs and the envisioned new economic global order. Nonetheless, in his 1936 *General Theory* Keynes seems to be examining economy in abstraction from the wider world. In the last two chapters, however, he does explicate how his theory connects to international cooperation and questions of war and peace. See also Donald Markwell (2006) *John Maynard Keynes and International Relations: Economic Paths to War and Peace*, esp. 182-90. Oxford: Oxford University Press.

¹³ On the conflict between national democracy and the spread of the effects of transnational power relations and decisions, see various works by David Held, e.g. Held (2010) *Cosmopolitanism: Ideals and Realities*, Cambridge: Polity Press; David Held and Heikki Patomäki (2006) 'Problems of Global Democracy: A Dialogue', *Theory, Culture & Society* 23 (5), 115-33.

¹⁴ James Tobin (1992) 'An Old Keynesian Counterattacks', *Eastern Economic Journal* 18 (4), 387-400.

¹⁵ See Markwell, *John Maynard Keynes and International Relations*, esp. 241-2.

¹⁶ Tobin, 'A Proposal for International Monetary Reform', 154.

¹⁷ Tobin, 'A Proposal', 159.

¹⁸ Tobin, 'A Proposal', 154.

¹⁹ Tobin, 'A Proposal', 158. Areas that the European Commission's proposed tax will not cover include markets in currency spot agreements; the EC justifies this omission on the grounds that the greatest possible fluidity and liquidity of currency markets promotes trade and investment. The omission is also based on the ideological ground that a currency exchange tax would violate the principle of the free movement of capital. At a minimum, the Commission's proposal would presuppose some version of orthodox neoclassical economic theory. For example, according to Rudiger Dornbusch's hypothesis on exchange rate overshooting, although markets can either exceed or fall below the long-term equilibrium-point, they have a tendency, at least in some sense, to more or less oscillate around the point (even when they approach it they may never

attain it, since new interferences enter the system all the time). But in models like this, the existence of an equilibrium-point is simply assumed, and the whole ideational structure is completely hypothetical. On the other hand, insofar as the neoclassical equilibrium model included the idea that it could sometimes be rational for investors to push prices away from the equilibrium-point, they can also justify occasional public interventions in the exchange rate. Tobin went further than this, and argued that even when “rational expectations” are by and large met, markets can push movements in any of a number of paths that lead away from the unique equilibrium-path, irrespective of any sort of equilibrating logic and even without any limits. In Tobin’s view, it would be best for public authorities to state their view on where the equilibrium lies, and to then try to influence its attainment. Rudiger Dornbusch (1976) ‘Expectations and Exchange Rate Dynamics’, *Journal of Political Economy* 84 (6), 1161–176; Tobin, ‘A Proposal for International Monetary Reform’, 158.

²⁰ I have discussed these points on several occasions: see e.g. Heikki Patomäki (2009) ‘The Tobin Tax and Global Civil Society Organisations: The Aftermath of the 2008-9 Financial Crisis’, *Ritsumeikan Annual Review of International Studies* 8 (1), esp. 2-5. Available at http://www.ritsumei.ac.jp/acd/cg/ir/college/bulletin/e-vol.8/01_Hekki.pdf (accessed 26 June 2012).

²¹ Kalecki’s early models, based on linear equations, show that the capitalist market economy oscillates on stable, ascending, and descending wavelengths. Kalecki soon began using non-linear equations to make his models more general and to avoid the need to refer to external shocks. The Keynesian multiplier was not invented by Keynes, but he contributed to its development in his *General Theory* (1936). According to an estimate Kalecki made in 1937, the two theories are similar apart from the determination of the level of investment, on which the theories are ‘radically different’. But Keynes theorized the role of money and financing far more clearly than did Kalecki, who did however also draw attention to power relations, company structure, and the degree of monopolization in markets (rather than the neoclassical premise of “perfectly competitive” markets, Kalecki started from the assumption of oligopolistic markets). Both Keynes’ and Kalecki’s theories suffer from being ahistorical: they have inherited from neoclassical economic theory a conception of time as being abstracted from real historical time. See Michał Kalecki (1935) ‘A Macrodynamics Theory of Business Cycles’, *Econometrica* 3 (3), 327-44; Kalecki (1937) ‘A Theory of the Business Cycle’, *Review of Economic Studies* 4 (2), 77-97; Kalecki (1969) *Theory of Economic Dynamics: An Essay on Cyclical and Long-Run Changes in Capitalist Economy*, New York: Augustus M. Kelley; John M. Keynes, *General Theory*, 113-31.

²² Keynes, *General Theory*, 120.

²³ Keynes, *General Theory*, Chapter 23; see also Markwell, *John Maynard Keynes and International Relations*, 182-90; Paul Davidson (1999) ‘Global Employment and Open Economy Macroeconomics’, in J. Deprez and J. T. Harvey (1999) (eds.) *Foundations of International Economics: Post-Keynesian Perspectives*, 9-34. London: Routledge. In the same collection see also Johan Deprez (1999) ‘Aggregate Supply and Demand in an Open Economy Framework’, 93-115.

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²⁹ See e.g. W. R. Mead (1989) 'American Economic Policy in the Antemillennial Era', *World Policy Journal* 6 (3), 385-468.

³⁰ Independent Commission, *North-South*, 47.

³¹ Independent Commission, *North-South*, 67.

³² These challenges are discussed by the Independent Commission, *North-South*, Chapter Eleven, 172-86.

³³ Independent Commission, *North-South*, Chapter Three, 201-20.

³⁴ The European Monetary System was a system of fixed but variable exchange rates between several EU member states. It operated from 1979 until 1999, when it was replaced by the European Monetary Union.

³⁵ Special Drawing Rights are supplementary foreign exchange reserve assets, the value of which is set by the IMF. SDRs were established by the Fund in 1969, and can be exchanged for money by IMF member countries. In practice however, they have so far been used mostly for bookkeeping purposes. By 2011 over 200 billion SDRs were in existence, with values set at the weighted average of the exchange rates of the US dollar, the euro, the yen, and the British pound. In early 2012 for example, the value of one SDR was 1.20 euro. Prior to 1981, the SDR was a mandatory bond of sorts, of which the central banks of IMF member states each held a specific amount. Since then the requirement to maintain SDRs has been relaxed, and the unit has consequently become (increasingly) less important. A central consideration in the discussion of and struggle over the future of the SDR is the extent to which the role of the US dollar could be taken on by a common global currency. Many commentators and researchers, and since the 2008-09 global crisis China and several other states, have argued for a significantly expanded role for SDRs. For a typically sceptical but exceptionally insightful perspective on the debate, see Ronald McKinnon (2009) 'Reconsidering SDRs', *Harvard International Review*, July 6, available at <http://hir.harvard.edu/frontiers-of-conflict/reconsidering-sdrs> (accessed 26 June 2012).

³⁶ Report of the Independent Commission, *North-South*, 212-20.

³⁷ See Echaradt Hein and Achim Truger (2010) 'Finance-Dominated Capitalism in Crisis: The Case for a Global Keynesian New Deal', Working Paper 06/2010, Institute for International Political Economy, Berlin School of Economics and Law, Berlin, p. 14. Available at <http://mpr.ub.uni-muenchen.de/21175> (accessed 26 June 2012).

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⁴² The combined effect of increased domestic demand in India, China, and other surplus countries is not very great on the world economic scale, but it is positive. Internationally coordinated economic policies are also needed. For various scenarios relating to increased global aggregate demand, see Francis Cripps, Alex Izurieta, and Ajit Singh (2011): 'Global Imbalances, Under-consumption and Over-borrowing: The State of the World Economy and Future Policies', *Development and Change* 42 (1), 228-61.

⁴³ When arms markets are registered they can also be taxed; both regulation and taxation reduce arms market activity. A comprehensive arms market register could also be part of an early warning system and would facilitate prevention of violent conflicts. The United Nations' Register of Conventional Arms (UNROCA) came into operation at the end of 1991, after the UN General Assembly Resolution on General and Complete Disarmament: Transparency in Armaments (A/RES/46/36) was passed with 150 votes in favour and none against. UNROCA only applies to seven categories of arms that are deemed the most lethal; later in the decade then-UN Secretary-General Boutros Boutros-Ghali repeatedly proposed amending UNROCA to also cover other arms categories, and to aid in reducing direct trade in arms. Small arms and other trade in arms between states could at least be added to the arms register, even if it were not possible to make them subject to taxation.

⁴⁴ Technical Group on Innovative Financing Mechanisms (2004) *Action Against Hunger and Poverty: Report of the Technical Group on Innovative Financing Mechanisms*, September, 36-41. Available at <http://www.diplomatie.gouv.fr/en/IMG/pdf/rapportdugroupequadripartite.pdf> (accessed 26 June 2012).

⁴⁵ See Patomäki and Teivainen, *A Possible World*, Chapter Ten, 'Global Tax Organizations', 163-82; Shannon Brincat (2011) 'A "Global Greenhouse Gas Tax": Background Issues for the Draft Treaty Workshop', Centre for Excellence in Global Governance Research, University of Helsinki (unpublished draft, available on request from the present author).

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⁴⁷ James Tobin (1999) 'What kind of Socially Responsible Economy Do We Want?', a presentation by videolink to the Council of Europe fiftieth anniversary conference in 1999. Tobin's presentation is summarized in *Market-Oriented Society, Democracy, Citizenship and Solidarity: an Area of Confrontation? Conference Proceedings, 31 May-1 June 1999*, pp. 42-5. Quote from p. 43. Council of Europe Parliamentary Assembly, Strasbourg: Council of Europe Publishing. Available at http://assembly.coe.int/Conferences/2008Strasbourg/Doc/Conf99_NGO_E.pdf (accessed 26 June 2012). Also published in James Tobin (2003) *World Finance and Economic Stability: Selected Essays of James Tobin*, Chapter 29. Cheltenham: Edward Elgar.

⁴⁸ The essence of emancipation is in the transition from unwanted, unnecessary and oppressive sources of causal determination to wanted or needed and empowering or more flourishing sources of causal determination. In conditions where asymmetric power relations are in force, emancipation means on the one hand the increase of actors' abilities and possibilities, and on the other the reduction or removal of relations of domination — that is to say, democratization and turning power into common capacity for action, individually or collectively. See Roy Bhaskar (1993) *Dialectic: The Pulse of Freedom*, London: Verso.

⁴⁹ For example, my proposal for a currency transactions tax combines the traditional state-centric principle of democracy, indirect representative democracy (through national parliamentary representation), and the principle of participatory democracy (through national civil societies). Heikki Patomäki (2001) *Democratising Globalisation: The Leverage of the Tobin Tax*, Chapter Seven, 193-216. London: Zed.

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⁵⁴ Karl Jaspers (1953) [1949] *The Origin and Goal of History*, trans. Michael Bullock, 117-27. London: Routledge and Kegan Paul.

⁵⁵ On the concept of social imaginaries see Patomäki and Steger, 'Social Imaginaries and Big History'.

⁵⁶ This is not a general theory of truth — "truth" is also a metaphor for the correspondence between claims and the world — but above all an ontological theory of the construction of the historical social world. The principle was proposed by philosopher Giambattista Vico in the 1700s.

⁵⁷ The modern national social imaginary includes:

- visual prototypes (e.g. the United States' Uncle Sam, the Russian bear);
- prototypical stories, figures, and practices (e.g. American exceptionalism, the Fourth of July, and the Founding Fathers in the US, French *laïcité* — the secularist tradition prohibiting religious involvement in government affairs, and vice versa — the *Kalevala* national epic and the Winter War film *Tuntematon sotilas* [*The Unknown Soldier*] in Finland);
- metaphors, such as the nation-as-family, the fatherland;
- conceptual merging: typically, the state-as-person metaphor is blended with the idea of the nation with a particular "character" that is determined through stories and images;
- many types of framing: for example, the question "are you prepared to die for your country?" partly gets it

meaning from the nation-as-family metaphor, which is not the case if the same question is put more descriptively (“Are you ready to kill innocent people on the orders of the political leadership of your country?”).

⁵⁸ See Patomäki, ‘Cosmological Sources’, 189-90.

⁵⁹ Denis Cosgrove (1994) ‘Contested Global Visions: One-World, Whole-Earth, and the Apollo Space Photographs’, *Annals of the Association of American Geographers* 84 (2), 270-94.

⁶⁰ Nancy Ellen Abrams and Joel R. Primack (2011) *The New Universe and the Human Future: How a Shared Cosmology Could Transform the World*, xv, 120. New Haven: Yale University Press.

⁶¹ H. G. Wells (1931) *The New and Revised Outline of History, Being a Plain History of Life and Mankind*, Section 40.1, ‘The Possible Unification of Men’s Wills in Political Matters’, 1158. Garden City, NY: Garden City Publishing Company.

⁶² Wells, *The New and Revised Outline of History*, 1124.

⁶³ David Christian (2005) *Maps of Time: An Introduction to Big History*, 478-9. Berkeley, CA: University of California Press.

⁶⁴ Warren W. Wagar (1999) *A Short History of the Future*, Chicago: University of Chicago Press.

⁶⁵ I have tried to develop Wagar’s prototype in a more value-pluralistic way so as to take better account of the principles of global democratic Keynesianism in Heikki Patomäki (2011) ‘Towards Global Political Parties’, *Ethics & Global Politics* 4 (2), available at <http://www.ethicsandglobalpolitics.net/index.php/egp/article/view/7334> (accessed 26 June 2012).

⁶⁶ The term was coined by Joseph A. Camilleri and Jim Falk (2009) *Worlds in Transition: Evolving Governance Across a Stressed Planet*, 535-8. Cheltenham: Edward Elgar.