

Democratic global Keynesianism: a long-overdue vision of progressive politics

by Heikki Patomäki

In a global world, the question of solidarity is acquiring new dimensions. Transnational solidarity seems an adequate response to the power of multinational corporations and global finance. A number of analysts have depicted how activists are now working across state boundaries and forming transnational networks, campaigns and organisations. The problem is that more often than not, the new forms of solidarity have been limited to resisting privatisation, deregulation flexibility, and welfare cutbacks. At the same time the emerging field of transnational labour regulation has been mostly confined to the private, voluntary sphere. A wider and deeper conception of solidarity seems to be missing.

Meanings of solidarity

Solidarity is a modern concept. It is tightly bound with the juridical concept of equality and the political concept of democracy. Although legal in its origins and commonly used for many purposes, in the workers' movement the concept of solidarity has essentially been also a way to overcome the dilemmas of organising collective actions. The concept of political equality in the bourgeois democracy of 1792 turned into a guiding concept of the social emancipation of workers just half a century later. Since 1848 activists have often envisaged a common debt or solidarity obligation and, by acting upon it, sometimes have made it at least partially true. In the contemporary global world, it is this moral and future-oriented application that should characterise attempts to create and sustain various transformative social and political movements and to globalise labour unions.

In the late 20th and early 21st century, however, labour movements and Left-wing parties have tended to focus on preserving the past national achievements. The neoliberal elites of the world have been more forward-looking. For them, the concept of solidarity is often associated with attempts to solidify formal unity across borders, not least in Europe. In the preamble of the Maastricht Treaty there is talk of "solidarity" among the "peoples" who are signatories, and Article A of the treaty says: The Union's "task shall be to organize, in a manner demonstrating consistency and solidarity, relations between the Member States and between their peoples" (Par. 3, Cl. 2). Although the notion of solidarity has been contested within the Union and used also to defend social security and workers' rights, all too often it has been equated, implicitly or explicitly, with sharing the alleged advantages and the burdens of single markets equally and justly among members. This is the reason why many leftists have tended to oppose the ideas of European and global solidarity. Assuming that the current neoliberal sense will pre-

vail, they believe that "European solidarity" can only mean more free markets and austerity.

Rethinking solidarity and progressive politics

It is time to do some systematic rethinking. From a political economy point of view, the relevant whole is not the nation but the world economy. The mutual dependency of the parts and whole works out, for instance, through effective demand and the multiplier effect. For (post-)Keynesian economic theories, there is no automatic mechanism synchronising diverse temporal processes. Aggregate supply (the total productive capacity of the world economy) does not usually equal aggregate effective demand (total spending capacity in the world economy).

Without mechanisms to ensure a sufficiently high level of effective demand for the goods and services produced, these developments will result in excess capacity and unemployment. Demand is always monetised, so what matters is whether the interested consumers and investors can afford to buy the goods and services. As the propensity to consume decreases with rising income, demand depends also on income distribution. Due to degrees of monopoly – always part and parcel of developments in capitalist market economy – and financial and other more or less fixed temporal commitments, prices do not easily decrease so as to match insufficient demand. And if prices do fall, a self-reinforcing deflationary spiral becomes rather likely.

It is the task of public authorities to ensure full employment and stimulate and shape investments and growth. The problem is that the more interwoven economic activities are, the more the effects of state policies will spread elsewhere. Moreover, particular state-actors see things only from their own limited point of view and thus tend to commit the fallacy of composition. The fallacy typically arises from the assumption that what is possible for one actor at a given moment must be possible for all (or many) of them simultaneously. If the economic policies of different states are contradictory, for instance if states simultaneously attempt to transfer their economic difficulties abroad by increasing their exports relative to imports, the end result can be bad for many countries, or for all. Our fates are irrevocably interconnected.

A rational tendential direction for world history

From an ethico-political perspective, it is equally clear that our joint liabilities and solidarity obligations cannot be restrained to the members of the same given and fixed nation. Nationalism is a contradictory geo-historical construction that became dominant, for a while, under specific circumstances. It transformed subjects into citizens who laid claim to equal membership in the nation and institutionalised their autonomy within the modern nation-state. But who really counted as part of the people and what constituted the essence of the nation became the subject of fierce intellectual debates and social struggles. The most recent wave of globalisation has altered the terms of these debates and struggles. The objective multiplication of worldwide chains and networks and acceleration of related processes has occurred hand in hand with the intensifying recognition of a shrinking world. Such heightened awareness of the compression of time and space has in turn influenced the organising of global flows, so far favouring especially the market globalisers.

An affective commitment to transnational solidarity and political action presupposes not only mutual trust but also shared politico-economic understandings and ethico-political ideals and aims. At this world-historical conjuncture, democratic global Keynesianism can provide a rational tendential direction for progressive politics. New mechanisms of European and global governance are needed, capable of adjusting deficits and surpluses in a fair and reasonable manner and steering the speed, direction, composition and distribution of economic growth on a planetary scale, also to ensure long-term ecological sustainability. Relevant global reforms include an expanded role for Special Drawing Rights or a new world central bank currency; a mechanism by means of which world trade deficits and surpluses can be balanced; a debt arbitration mechanism; global taxes; elements of global fiscal and social policy & redistribution; and support for workers' rights, unionisation and solidarity systems on a planetary scale, both out of solidarity and to increase global aggregate demand.

Why global Keynesianism has to be democratic

Governance has implications to power and democracy. Even though it may still be desirable to increase, in some regards, the autonomy of states in conducting their economic policies, the initiatives to strengthen governance and develop new global institutions along the proposed global Keynesian lines points to a different direction, towards global democracy. Rather problematically, JM Keynes' own 1940s proposals for global governance were based on a variation of the 19th century liberalist dream of a utopian harmony. Keynes argued that although laissez faire markets do not ensure any automatic harmony of interests (or collectively optimal outcomes), with proper collective institutional arrangement the international economy can be made not only a positive sum game but also fair and just for all parties.

In a world of plurality of forces and understanding, and changing social relations, there can be no harmony. Dialogue and peaceful political struggles about policies and institutions must be made possible. Moreover, in complex societies with high-level moral sensibilities, the normative justification of political rule, and arguably in the longer term also factual acceptability, require social justice and citizens' active participation in democratic practices.

For these reasons democracy can and also must also be applied transnationally and globally, otherwise the already-existing and emerging sites and mechanisms of power would not be legitimate. Democracy is best conceived as a process of democratisation. There is no model that would exhaust all democratic possibilities; and without any movement towards further democratisation, strong tendencies to corruption and accumulation of power can easily take over – within a supposedly stable state of democracy, whatever the context.

Global-Keynesian proposals require a model of practical and institutional arrangements that does not currently exist, but should be politically possible to achieve, and feasible as an alternative way of organising social practices and relations. For instance, a global tax organisation – responsible for shaping of practices and redistribution in one specific functional area – could combine, in a novel way, principles of inter-state democracy (council of ministers), representative democracy (representatives of national parliaments in its democratic assembly) and participatory democracy (civil society representatives in its democratic assembly). This would make it open to different points of view; capable of reacting rapidly to unexpected changes; and qualified to assume new tasks if needed.

Different functional organisations have different memberships, consisting mostly of states and non-governmental organisations. Whether old or new, any of these organisations can be (re)constructed on various democratic rules and principles. Logically, what would emerge is a noncentralised, non-territorial and non-exclusive system of complex global governance. It might even be possible to think about coordinating global economic policies of both states and these organisations without creating an overarching territorial layer above all these other spaces and layers of global governance. Yet, the coordinating body could be a globally elected representative assembly, with limited non-sovereign powers. Similar democratic global-Keynesian visions about a global central bank are equally possible. The process of global democratisation is by definition open-ended.

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