



## I. INTRODUCTION

Something like “global Keynesianism” or “transnational socialism” has been mentioned as a desirable alternative to global neoliberalism (Redmond 1997). However, a definition of this kind of global Keynesianism is hard to find. Many leftists tend to associate Keynesianism with corporate power. However, there are also numerous other leftists who view this differently. For example, a member of parliament for the German Green Party stated in a recent interview that “a reformist party today has to be a left-Keynesian party which contradicts the logic of capital” (Ebermann 1998). A number of scholars from several countries, including Canada, pursue post-Keynesianism, in the sense of left-Keynesian economics (e.g., Seccareccia 1991). However, available left-Keynesian literature, as I see it, is lacking a world-system perspective. I am trying in this article to synthesize the two perspectives—namely, left-Keynesianism and world-system theory, leading to a perspective of global left-Keynesianism. This leftist global Keynesianism can, perhaps, be described as an approach to economics which emphasizes responsible public management of economic problems in a world-system context. Common themes in global Keynesianism include the importance of public management, democratic politics, the mixed economy, global income distribution, the management of global demand, investment and money, ecological sustainability and the importance of multiple levels of public management—local, national, regional and global.

The intellectual history of the term “global Keynesianism” is short. The expression “global Keynesianism” (or, “international Keynesianism”) appeared in the literature in the early 1980’s and was, initially, used by critics to describe the so-called Brandt Report, which proposed a kind of Marshall Plan for the Third World (Brandt Commission 1980). Critics left and right rejected that approach at the time (e.g., Dauderstaedt/Pfaller 1983; Corden

1987), but the idea of global Keynesianism lingered on, partly, as a whipping boy, but also as an inspiration. I am aware of two authors who developed contributions to global Keynesianism with this explicit label—one American, namely, the global Keynesianism of Mead (Mead 1989), and one European, namely, the global left-Keynesianism of Elsenhans (Elsenhans 1996). One post-Keynesian economist observed as recently as 1995 that global Keynesianism is “only some system—a mechanism that has not yet been worked out” (Galbraith 1995).

This essay is exploratory and synthetic. I am attempting to pull together various ideas which together might describe a perspective of leftist global Keynesianism. These materials are of two types—theoretical/analytic and praxeological/political. Keynesian economics are traditionally interested in aggregate demand and its management. That is why my presentation starts with the concept of demand.

## 2. THE IMPORTANCE OF DEMAND

The importance of aggregate demand has been acknowledged by such diverse economic theoreticians as Sismondi, Marx, Keynes, Samuelson, and Mandel, to name some. The concept of a market, as used in economic theory, implies the presence of supply and demand. The market mechanism is generally conceptualized as a process of feedback and equilibration between supply and demand. Demand plays an essential role in this mechanism; indeed, demand is a logical prerequisite of a market. Without a demand side there is no market, by definition.

There is consensus and controversy about the role of demand. A fair amount of agreement exists on two points. First, demand is important at the micro-level. If a supplier (individual or firm) cannot find enough customers for his (her, its) products, he is forced out of business or compelled to supply other goods or services for which there is a market (i.e., for which there is demand). Secondly, concerning *aggregate* demand (macro-level) there is a fair amount of consensus that aggregate demand is important *in the short run*. Thus, consumer spending and business spending, as well as their *intentions*, are routinely monitored through public surveys; and theoreticians tend to agree that short-term movements of demand influence national product and income (compare, for example, the textbooks, Heilbroner/Thurow 1978 and Mankiw 1994).

Major controversy rages about the role of aggregate demand *in the long run*; that is to say, about the importance of aggregate demand for the long-term growth of GDP, productivity, income and employment. Keynesians and Marxists tend to assign an important role to aggregate demand in long-term economic growth (or, accumulation). Others assign primacy to the supply side. Global Keynesianism rejects a pure supply-side view, emphasizing the interactivity of supply and demand, instead.

## 3. CRITIQUE OF THE SUPPLY-SIDE PARADIGM OF ECONOMIC GROWTH AND ACCUMULATION

Disagreements about paradigms cannot be resolved in a stringent procedure of proof or falsification as in mathematics, logic or hypothesis-testing. The discussion of paradigms involves an element of philosophy or even persuasion. (Keynes wrote about the importance of persuasion for a similar reason.) Therefore, I will not attempt to “disprove” the supply-side paradigm. Instead, I will merely state three reasons why I believe that a pure supply-side paradigm of economic growth (accumulation) is inadequate. These reasons are: (1) practical disappointment; (2) logical fallacy; (3) ideological bias. By “paradigm” I mean paradigm, in the sense of Thomas Kuhn, as a set of shared concepts, shared views about causality, shared views about relevant evidence and pertinent research methodologies, as well as shared values.

### 3.1 Practical Disappointment

The supply-side paradigm of economic growth gained increasing prevalence around the globe, starting in the early 1970s with the successive introduction of floating exchange rates, dismantling of controls on international capital movements, policies of deregulation and privatization, and so on. While these policies are propagated with the claim that they are superior to Keynesian or Marxist policies, they have, by and large, not generated impressive economic growth rates and have, on the contrary, lead to a great deal of wage stagnation, high unemployment, only modest productivity growth in many countries, even to economic depression or collapse as in some of the so-called transition economies of Central and Eastern Europe (Tausch 1997). The fact that the (open) unemployment rate in the United States is currently low, as defenders of neoliberalism may point out, is welcome news but does not account for problems of quality of employment (including the

proportion of part-time employment in total employment) and inadequate wage levels of the working poor.

### 3.2 Logical Fallacy

The supply-side paradigm of economic growth has been formalized in such formulae as Cobb-Douglas functions or the Solow model. The Solow model postulates that long-term economic growth is caused by the supply side—and nothing but the supply side, namely, by the conversion of three major categories of inputs into aggregate output ( $Y$ ). The factor inputs in this model are capital ( $K$ ), labour ( $L$ ), and level of technology ( $A$ )—according to the function  $Y = f(K, L, A)$  (see, e.g., Solow 1956).

A major logical flaw in this model and the supply-side paradigm of economic growth generally is with respect to causal inference. The paradigm assumes that an economy functions like a machine without any feedback between supply and demand. The causation implied in this view is strictly uni-directional—namely, from capital, labour and technology (and their growth) to national product (and its growth). However, the uni-directional view of causality implied in the supply-side paradigm contradicts the very concept of a market itself. In a market, aggregate outcome is thought to be the result of an interaction between supply and demand. Causation in a market is a two-way causation from supply to demand and from demand to supply; or, in other words, a feedback loop between supply and demand. The uni-directional view of causality implied in a pure supply-side paradigm of growth ignores the feedback mechanism in the concept of a market. The pure supply-side paradigm of economic growth is a primitive machine model, not a market model, which purports to explain economic growth (accumulation) in a market economy, nevertheless. This is a theoretical inconsistency and a logical fallacy.

### 3.3 Political Bias

The pure supply-side paradigm of economic growth neglects the demand side, two thirds of which is made up of the consumption demand of the mass of consumers. By neglecting this, the paradigm neglects what matters to labour—namely, wages and salaries and their role in national growth. The pure supply-side paradigm of economic growth (accumulation) thus exhibits a strong pro-business, pro-capital bias which is also evident in policies derived from this paradigm, like deregulation, privatization and so on.

The three points of criticism above are very brief and are merely stated in order to indicate the position of global Keynesianism, as I see it, for orientation purposes. The literature on these issues is voluminous and there is no intention here to repeat at length what is presented elsewhere.

## 4. LEVELS OF ANALYSIS

Global Keynesianism is concerned with the analysis and management of global demand. Economic analysis distinguishes between micro- and macro-analysis. These levels of analysis can be further subdivided and augmented and we can speak of a variety of units and levels of analysis, as follows:

- individual person
- household
- firm
- industry
- sector (public–private; agriculture–industry–service)
- class or, geographically,:
- local
- sub–national region
- national
- region (multiple countries, world region, like Africa etc.)
- global (all countries)

In global Keynesianism, all these levels are of interest, but it is important that a global level of analysis is also present. Whether action can or should be taken at the global level or, rather, at regional, national, or sub-national levels is an additional problem which must be addressed.

## 5. THE IMPORTANCE OF WORLD-SYSTEM DEMAND (GLOBAL DEMAND)

Global demand is aggregate (effective) demand in the entire world-system (world economy), as opposed to demand in the economy of a single country (state, national economy, macroeconomy).

Wallerstein observed about “world-system demand” that:

“there are ‘expansions’ and ‘contractions’ in the world economy ... I think they are linked to a basic contradiction of the system, which has to do with supply and demand, that is, *world-system* supply and world-system demand,

not *firm* supply and demand, nor *state* supply and demand, but world-system supply and demand.” (Wallerstein 1978: 232; emphasis original)

The concept of global demand is important in light of past and present world developments; it has been part of the analyses of a number of scholars and is also appearing in contemporary journalistic literature. The observers who have been interested in world-system demand (global demand) tend to be of various persuasions. Their theoretical differences notwithstanding, they tend to share the view that global demand is, tends to be, or is in danger of being, inadequate. Here are some samples of opinion from diverse backgrounds:

An anonymous editorial writer, writing about the “overcapacity bomb”, stated: “It may be time to begin focusing policy on inadequate global demand, especially in Asia. Just as Keynesian economics is about to be buried, John Maynard Keynes’s attention to demand may be more salient than ever—even if his solutions are not.” (Anonymous 1997: 138) Allen and Vines report various results and conclusions based on econometric modelling of the global economy. The authors refer to a “global paradox of thrift”, which is Keynesian vocabulary, and the authors raise this question: “(T)here is paradoxically the problem that the world is currently in Keynesian recession. What could be worse than a massive reduction in injections of expenditure into the global economy, particularly for the developing countries, whose export revenues might appear to be particularly vulnerable?” (Allen and Vines 1993: 134) Mead developed a comprehensive set of policy proposals for the global and national levels. He writes: “The new system proposed here can be best described as multilateral global Keynesianism” (Mead 1989: 427). Singh and Zammit analyze unemployment and underemployment in the North and South of the world and conclude that global unemployment and underemployment are caused by inadequate global demand. They speak of a global “demand constraint”, which they describe as “deeply institutional in nature”. The authors call for three types of institutional/structural reform, namely: (1) “a new institutional and behavioural framework within the North”; (2) “within the South, a major change in policy direction”; (3) “(o)n the global scale, a rather different system of international arrangements between the North and the South.” Furthermore, the authors note that such reforms “will have to pay full attention to ecological concerns”. (Singh and Zammit 1995: 109-110) Elsenhans developed a leftist theory of global Keynesianism

in which a “global demand gap” is a central concept. Furthermore, Elsenhans observes: “Enterprises are virtually incapable of expanding the market. They also cannot sustain the regulatory policy framework in its entirety. For this, they require the intervention of other social forces, for instance the labour movements and the state...” (Elsenhans 1996: 26). Mandel discusses global demand, for example, in *The Second Slump* (1978), from which the following quotations are taken. Mandel states: “Whatever the deeper meanderings of the analysis, the first phenomenon that must be grasped is this sharp break in the unstable equilibrium between supply and demand of commodities...” and : “Nothing illustrates the capitalist character of the market economy and its unjust and inhuman consequences better than this spectacle of half of humanity afflicted by hunger not because of lack of food products, but because *money demand* cannot keep up with physical demand.” (Mandel 1978: 169 and 146, emphasis added)

The above quotations show that authors from different traditions who studied global demand converged on two opinions, namely: (1) global demand matters (is important); and (2) global demand may be inadequate at times; or tends to be inadequate; or is usually inadequate.

## 6. ABSOLUTE AND RELATIVE INADEQUACY OF GLOBAL DEMAND

“Inadequacy of global demand” has two distinguishable meanings which are frequently mixed together, namely:

(a) *Absolute Inadequacy of Global Demand (social-existential meaning)*—The people (workers, labour, global masses) do not have enough purchasing power for a decent standard of living. This meaning of “inadequate global demand” is an observation and judgement about an existential reality experienced by people.

(b) *Relative Inadequacy of Global Demand (circulatory-systemic meaning)*—There is a gap between global supply (aggregate production power) and global demand (aggregate purchasing power). This *global demand gap* is important in the circulatory flow of the world economy and has been alternately described as a problem of “overproduction” or a problem of “inadequate demand”, reflecting different analytic and political emphases. I concur with Mandel who argues (see above) that one should not exaggerate the difference between these two interpretations. In my opinion, “overproduction” should be, more properly, called “relative overproduction”

which coexists with “absolute underproduction” of goods and services for the provision of basic needs of masses of people.

## 7. THE GLOBAL UNEMPLOYMENT EQUILIBRIUM

The concept of an unemployment equilibrium has been developed by Marx and Keynes, where Marx was thinking more of the long term (permanent feature of the capitalist economy) and Keynes more of the short term (depression of the 1930's). Marx explained how the capitalist economy, as a system, generates a “reserve army of the unemployed”. Keynes, who was aware of Marx's work, explained how a demand gap in the economic system can lead to a stable unemployment equilibrium—as in the depression of the 1930's. In global Keynesianism the concept of a systemic unemployment equilibrium is applied at the global level of analysis, leading to the notion of a *global* unemployment equilibrium, or a *world-system* unemployment equilibrium.

### 7.1 *Global Equilibrium and National Equilibria*

The world can, alternatively, be viewed as a single world-system (“one world”) or as two hundred countries (nation-states, national macro-economies). Correspondingly, we can speak, alternatively, of a single *global* unemployment equilibrium or of two hundred *national* unemployment equilibria. The two levels of analysis coexist. The one global equilibrium and the many national equilibria exist at the same time. The equilibrium of the entire world-system functions as the “environment”, as one might say, within which the many national equilibria exist. While there are relationships between the global-level equilibrium and the national-level equilibria (i.e., between the state of the world and the state of the nation), one cannot simply deduce one from the other. Thus, the world-system in its entirety may be in a state of a *global* unemployment equilibrium, which may have a depressive effect on all national equilibria. However, it is possible that, at the same time, an individual country may escape the global depressive effect and may be relatively free of unemployment—just like a *national* economy may be in an overall state of recession or depression, while some individual firms may do well (as, for example, the alcohol industry in the United States during the depression of the 1930's).

At the present time, the United States has a lower unemployment rate than the majority of OECD countries and, traditionally, the OECD countries (core of the world system) have had less unemployment and underemployment than the non-OECD countries (periphery of the world system). According to the world-system view implied in global Keynesianism, the national equilibria of the two hundred countries are not totally isolated from the overall global equilibrium.

The transmission mechanisms between the global equilibrium and the national equilibria require special investigation. Since virtually all national economies are so-called “open economies” at the present time, transmission of misery or well-being (contagion) between countries and between the global and national levels occurs through such mechanisms as global investment flows (monetary and real investment), global trade flows, the global exchange rate system, global technology transfers, global institutional arrangements (organizations, rules and laws), global labour migration and brain drain, global spread of environmental decay, and so on.

In line with these theoretical considerations, it cannot be said that *national* unemployment and underemployment is an exclusively national phenomenon. The *global* reserve army of unemployed and underemployed is shared between nations; and the unemployment and underemployment generated by the *global* unemployment equilibrium is shared by two hundred national economies. It is easier for a national economy to have full employment when the entire world-system is in a full-employment equilibrium than when the entire world economy is in a global unemployment equilibrium, producing massive world-wide unemployment and underemployment. In response to a miserable *global* underemployment situation, which generates pressures for massive international migration (economic migrants), USA, the European Union and others have tough laws and law enforcement for keeping economic migrants from entering their economies and, once entered illegally, for expelling them.

### 7.2 *Static View of the Global Unemployment Equilibrium*

The world market economy, as a market in the sense of economic theory, has two constituent forces which interact—namely, aggregate supply and aggregate demand. Whichever force of the two is smaller, determines the volume of total economic output and total employment (with additional

influences from other variables). Both Keynesian and Marxist economics call attention to the fact that all the time (Marxist), or many times (Keynesian), the system has a tendency to generate an excess of aggregate supply over aggregate demand (“overproduction”, Marxist), or a shortage of aggregate demand relative to aggregate supply (“demand gap”, Keynesian). The smaller of the two forces—namely, aggregate demand, limits (“constrains”) the magnitude of total economic activity and output (GDP). Given the production methods available at any time and in the aggregate, an aggregate relationship exists between total economic activity and total employment. As a result, aggregate demand, as the constraining factor, limits total employment. Global Keynesianism claims that this situation exists in the entire world-system at the present time and that this situation of a relatively stable *global* unemployment (underemployment) equilibrium can only be overcome through public intervention (“public management”), broadly defined. This is in contradiction to the neoclassical / neoliberal opinion that the critically constraining factor in the world market economy is the supply side and that the free play of “market forces” can solve the problem without public intervention.

### 7.3 Dynamic View of the Global Unemployment Equilibrium

In the dynamic view, more attention is paid to time, process and growth rates than in the static view. Marxist analysis is traditionally dynamic in this sense and Keynesian and post-Keynesian scholars have also developed dynamic views of the problem (e.g., Asimakopulos 1991). In global Keynesianism, “dynamic view” means that *growth rates* of global product (global GDP) and global employment are an outcome of the interaction between the *growth rates* of global aggregate supply and global aggregate demand. The global unemployment equilibrium is a *growth equilibrium* between growing (or declining) global aggregate supply and growing (or declining) aggregate demand. In the evolution of these growing (or declining) aggregates, the global demand gap is ever-changing in its magnitude, both in absolute and relative terms, and the world-system has a *tendency* to generate a demand gap (tendency toward relative overproduction) of varying magnitude at all times or most of the time. Detailed analysis of these dynamic processes is complex and a great variety of views and models exist to describe these processes at the national level, but less literature deals with the global level of

analysis. In very general terms, the factors and processes invoked to describe this dynamic reality can be grouped under two headings—(a) conjunctural factors and processes; and (b) structural factors and processes. This distinction is in use at the national level of analysis and can also be applied at the world-system level.

### 7.4 Conjunctural and Structural Determinants of the Global Equilibrium (Disequilibrium)

The factors and processes determining the global equilibrium (disequilibrium) can be loosely grouped under two headings, namely:

- (1) *conjunctural* determinants (including “cyclical”, in the sense of the short business cycle, and other short-term factors); and
- (2) *structural* determinants (including distributional, institutional, secular trends, long cycles, etc.)

For example, consider Mandel’s analysis (see above). Mandel mentions the following with respect to the world recession of the 1970’s: (1) conjunctural demand factor—namely, contraction of world trade due to recession in the imperialist countries (core of world-system); (2) conjunctural management—namely, “neo-Keynesian recovery techniques” (“enormous injection of purchasing power”) in the core countries, which lead to a short-term surge in demand for consumer goods, which “effectively halted the recession”; and (3) structural demand factors—namely, (a) marginality of people—the starving billion of the world does not have enough food money to buy existing global food stuffs; (b) marginality of countries—the global periphery generates comparatively modest trade demand in the international trading system. These structural causes of inadequate world-system demand place a major limit on the expansion of global economic growth, in Mandel’s opinion, and, we may add, perpetuate a dynamic global unemployment equilibrium.

## 8. GLOBAL FULL EMPLOYMENT EQUILIBRIUM

When the world-system (world economy, world market) is analyzed in terms of a dynamic equilibrium (or disequilibrium), we may observe that a global unemployment equilibrium exists; we can also postulate the possibility of a global full employment equilibrium—that is to say, a state of the world in which aggregate supply and aggregate demand have a configura-

tion in which all globally available labour is fully employed. Since a state of global full employment is mostly a dream (a utopia), the door is wide open for disagreements about praxeology (i.e., about how to get there). The traditional disagreements with respect to full employment at the national level carry over to the global level of analysis and action—namely, in the traditional Marxist view, global full employment can only be achieved through an abolition of the capitalist world-system (world revolution); in the global-Keynesian view, global full employment can be achieved through active public management of the system; in the global-neoliberal view, global full employment is either (a) not desirable, or (b) of no particular interest, or (c) is thought to come about through the free play of “market forces”. The global-Keynesian presumption is that a key role in achieving global full employment is played by active management of global demand. This global demand management must not be confused with, or reduced to, the old-Keynesian concept of “pump priming” (indiscriminate pumping of money into the system). Rather, new, more appropriate techniques of anti-cyclical and *anti-structural* demand management must be devised. In this context, more and more authors mention a global “Tobin tax” (tax on international financial transactions), global ecological taxes, transnational capital controls, and other global, regional, transnational, national and local instruments. Much more work is required to develop a full set of institutional, political and economic instruments. The political feasibility of such measures depends, to a large extent, on the ability to organize countervailing pressure throughout the world-system against the dominating interests of business (global capital).

#### 9. THE IMPORTANCE OF ANTI-STRUCTURAL GLOBAL DEMAND MANAGEMENT

Keynesianism at the national level has traditionally operated with a concept of anti-cyclical demand management (with reference to the short business cycle). At the world level, anti-structural demand management appears to be as important as, or more important than, anti-cyclical demand management. This view can be supported by three observations—namely, (1) due to the multitude of two hundred national economies in the world, the short-term cyclical developments in each national economy tend to neutralize each other to some extent in the global aggregate; (2) from a management

point of view, it is relatively more difficult to “fine-tune” any global short-term cycles which may exist at the world level, than to “fine-tune” national business cycles, albeit this is also very difficult; (3) the major demand problems in the world economy as a whole (in terms of magnitudes) tend to be more structural than (short-term) cyclical in nature—notably, demand problems caused by the global monetary and exchange rate system, demand problems generated by the global income distribution, demand problems caused by the globalization of production, and so on.

I will select and examine three problem areas in which the world-system (the present “global formation”—Chase-Dunn, 1989) has major structurally induced demand problems—namely, (1) globalization of production; (2) global money and finance; and (3) exchange rate system.

#### 10. GLOBALIZATION OF PRODUCTION AND GLOBAL DEMAND

Capitalism has always operated simultaneously in a national and a worldwide context, including international and colonial trade and investment. In recent decades, the production and supply of goods and services has increasingly been globalized through multinational production and marketing techniques. Multinational (transnational, global) corporations have been, and are, moving more and more production to countries where wages and other costs are low and are trying to sell as much as possible in countries where incomes are high. This global “buy-and-produce low and sell high” principle makes supply-side sense and tends to increase the efficiency of global production. However, this practice increases, on a global basis, the disequilibrium and gap between global supply and global demand, since a shift from high-wage to low-wage production (globally) has the effect of generating relatively less global aggregate demand. This mechanism has been recognized and has been called a “race to the bottom” or a “downward spiral”. For example, Brecher and Costello write:

“The most direct symptom of globalization is the ‘race to the bottom’ itself—the reduction in labor, social, and environmental conditions that result directly from global competition for jobs and investment.” (Brecher/Costello 1994: 22) Furthermore: “As corporations move jobs that paid \$10 per hour to countries where they pay \$1 per hour, workers can buy less of what they produce.” (Brecher/Costello 1994: 25) And: “Unemployment and

falling real wages led to declining consumer demand for products world-wide..." (Brecher/Costello 1994: 55)

Closely related to the globalization of the supply-side (globalization of production) is the issue of technological progress. New technologies of a labour-saving kind render the supply-side more efficient through automation and other kinds of labour-saving. On the one hand, technological advances are desirable for the sake of long-term economic growth. On the other hand, if such supply-side improvements are not matched by compensating job-creation and/or wage increases, then the relation between supply and demand is disturbed (the disequilibrium is exacerbated), nationally and/or globally. Furthermore, technological advances are not neutral with respect to ecological sustainability (Daly 1996; Douthwaite 1998).

## II. GLOBAL MONEY AND GLOBAL DEMAND

### 11.1 Global Circulation of Money

Global demand is composed of global consumption demand (private and public) and global (fixed-)investment demand (private and public, including foreign direct investment). Money which circulates in the world-system may appear in a "real" (physical) economic circuit as effective demand for goods and services or in a "nominal" (financial) circuit in search of financial investment. Keynesians have traditionally analyzed this in terms of the relationship between aggregate saving and aggregate investment; Marxists in terms of surplus value. In both traditions, the circulation of money is closely related to the disequilibrium between supply and demand in the system.

In 1993 the global GDP was valued as 23.6 trillion U.S. dollars (World Bank 1995: 29). For the same time, the World Bank estimated the total resources of international financial institutions at about 14 trillion U.S. dollars (Patterson 1997). Whether one takes a Keynesian or Marxist view of this, the amount of global money which is withdrawn from, and circulating independent of, the real economy of world-system supply and world-system demand is enormous. This global situation is similar to what Keynes described, with respect to the depressed national economies in the 1930's, as a situation of "poverty in the midst of plenty" (Keynes 1964: 30); the world is awash with money, yet much of this money is not used to create employment or real consumption value.

### 11.2 Volatility of Global Finance

A problem which has received widespread attention is the volatility and instability of global financial investments. The deregulation of global capital markets has led to a situation in which large amounts of finance capital can easily be moved from one country or world region to another. This has led to drastic swings in effective demand (fixed investment and consumption) for countries and regions thus affected, either positively or negatively.

### 11.3 Exchange Rates and Global Demand

The distribution of global demand between high-income and middle- to low-income countries is distorted as a consequence of the existing exchange rate system. The currencies of peripheral and semi-peripheral countries (low- and middle-income countries) tend to be *undervalued* in relation to the currencies of high-income countries. The last point is contentious and has been argued by Yotopoulos (1996), Havlik (1996) and Kohler (1998), whereas a majority of contemporary economists tend to take the opposite point of view.

Undervalued exchange rates contribute to unequal exchange and a distorted distribution of global demand. Unequal exchange (Emmanuel 1972), refers to imperialism of trade and exploitation through international trade. World tables of unequal exchange have been published for the year 1995 which show the magnitudes of losses and gains due to unequal exchange, resulting from undervalued exchange rates, for 119 countries (Kohler 1978). Based on these world tables of unequal exchange for 1995, it can be observed that the equivalent of 6.6 percent of global GDP (in 1995) was transferred from low- and middle-income countries to high-income countries as an "unrecorded transfer of value" due to distorted currency values. This amount corresponds to 24 percent of the combined GDP's of non-OECD countries (as a loss) and to 8 percent of the combined GDP's of OECD countries (as a gain). In 1995 the three countries with the highest amounts of unequal-exchange losses were China, Indonesia and Mexico; the three countries with the highest amounts of unequal-exchange gains were Japan, USA and Germany.

## 12. GLOBAL KEYNESIANISM AS POLICY, MANAGEMENT, ACTION (PRAXEOLOGY)

In addition to theoretical literature, a wide range of literature exists on policy proposals which may be called global-Keynesian, broadly conceived. Many of these proposals have been criticized for being either interventionist and dirigistic (neoliberal critique) or pro-capitalist and unrealistic (Marxist critique). Nevertheless, many of these ideas are valuable; some are receiving increasing public attention and acceptance.

### 12.1 *What global Keynesianism is not*

Global Keynesianism may be a rather fuzzy project, but it is not any of the following, as some critics may be inclined to think. (1) Global Keynesianism does not advocate indiscriminate “pump priming” or “printing of money”. (2) Global Keynesianism is not limited to a “global Marshall plan”, as proposed in the Brandt Report of 1980; this is only one of several proposals made from a global-Keynesian perspective. (3) Global Keynesianism may engage in global-level analysis (world-system analysis); this does not mean that the proposed policies or management techniques are necessarily at the global level; they may also be at a regional or national levels of action. (4) Global Keynesianism is not necessarily anti-ecological. The very term “sustainable development” originates in a report using a global-Keynesian paradigm, namely, the Brundtland Report (Brundtland Commission 1987). (5) Global-Keynesianism is not in bed with global corporations; rather, it advocates controls and containment of global capitalism.

### 12.2 *Levels of Action and Management*

The expression “global Keynesianism” should not mislead one into believing that global Keynesianism has only one level of action (i.e., the global level). I have pointed out earlier that global-Keynesian diagnostics, analysis and theory operate with many levels of analysis. Similarly, global-Keynesian praxeology operates with multiple levels of action, policy and management. These include agents (actors, units of action) like individual, class and state and levels of action and policy from local to global. For example, global-level diagnostics may lead to the conclusion that the most effective response to a problem is at the sectoral level (e.g., transnational collective bargaining by labour unions) or, alternatively, at the regional level

(e.g., organization of regional development banks). Of course, the diagnosis may also lead to recommended action at the national level or the global level. For policy-, management-, and action-purposes, the world-system must be seen as a multi-level system with multiple levels of actors and multiple levels of activity and management.

### 12.3 *Goals of Global Keynesianism*

Global Keynesianism is not a political party but a fuzzy point of view. The goals of global Keynesianism have not been neatly catalogued anywhere. However, it may be fair to say that the broad, overall, long-term goals of global Keynesianism include: (1) global full employment; (2) improvement of the global income distribution; (3) world-wide social security; (4) economic growth (of the sustainable kind); (5) ecological sustainability; (6) democratic process; where the numbering does not imply a rank ordering of goals; all of them are important.

## 13. SELECTED ACTION PROPOSALS OF GLOBAL KEYNESIANISM

Individual proposals for policy and management which are of a global-Keynesian nature, may conflict with each other, and various experts who may have global-Keynesian points of view or inclinations may not agree on individual proposals. Global Keynesianism is a pluralistic, open project, in a state of collective learning, where theory and practice have certain vague shapes, but are by no means crystallized into a fixed system. This may be a disadvantage, but may also be an advantage, as open-mindedness in an uncertain world can be a virtue.

### 13.1 *Improving the global income distribution*

Global Keynesianism is generally in favour of improving the income distribution between high- middle- and low-income countries. To this end literature with a global-Keynesian perspective supports (1) debt relief or debt forgiveness for certain categories of countries; (2) commodity price stabilization schemes; (3) foreign aid from high-income countries; (4) improved terms of trade for low- and middle-income countries, and other policies familiar in the “development” literature.

### 13.2 *Improving global and regional organizations*

From the perspective of low- and middle-income countries, regional organization of economic interests has been advocated in order to fight global income polarization, for example by Amin and his concept of a “poly-centric world” (Amin 1997). From the perspective of labour in high-income countries the implementation of labour charters in existing regional organizations like European Union or NAFTA is important.

### 13.3 *Strengthening national management*

It has been observed that the power of the (nation-)state vis-a-vis global investors and global corporations has declined (e.g., Cox 1994: 47-48). Global Keynesianism supports a re-assertion of national management within a global context, as opposed to outright abdication of national power to “global markets” (global capital).

### 13.4 *Strengthening Collective Bargaining Globally*

Wallerstein has pointed out that a major strategy for increasing effective demand in the world-system is through “renegotiation of historically given wages” (Wallerstein 1978: 233). Collective bargaining between labour and capital is thus important for global demand management. Global Keynesianism looks toward worldwide strengthening and protection of collective bargaining, including transnational collective bargaining, as a major institutional feature for a sound world-economy.

### 13.5 *Controlling Global Financial Capital*

As a protection against the excessive power of deregulated and unregulated global financial capital (“the markets”, as they are called in the media), global Keynesianism favours controls on global capital movements. For this purpose, a frequently quoted proposal is the “Tobin tax”, namely, a tax on international financial capital transactions, with the purpose of slowing down speculative developments. Another strategy is, for example, the strengthening of regional organization. Thus, some see the strengthening of the European Union as a method for asserting more political control over unregulated global financial forces (Misik 1997).

### 13.6 *Managing Global Fixed Investment*

The traditional Keynesian view, namely, that fixed investment may not be forthcoming in sufficient quantity from the private sector or may not be well-distributed, is also applicable at regional and global levels. Here are some sample proposals: (1) The Brandt Report sought to respond to this need by proposing a global Marshall plan, financed by the high-income countries (Brandt 1980). (2) According to another proposal, global demand is crucially dependent on global credit creation and, whatever global credit is created, must be apportioned equitably between rich and poor countries, rather than in a biased manner toward the rich countries (Moore, 1988: 382,388). (3) Amin called for the creation of a “reformed” World Bank which would manage global credit for fixed investment in a more satisfactory manner than the present World Bank (Amin, 1997:54).

### 13.7 *Exchange Rate Reform*

The present exchange rate system distorts the distribution of global demand and generates unequal exchange (see above). Various reforms of the exchange rate system have been proposed, including (1) the institution of national currency boards, (2) return to exchange rate controls (e.g., Kuttner 1998); (3) purchasing power parity rates, (4) regional currencies, or even (5) a single global currency (Keynes’s “bancor” proposal, which was reiterated by Mead 1989:434).

### 13.8 *Other Proposals*

There are other proposals which can be grouped under a “global left-Keynesianism” label. My objective in this section was to give some examples of global-Keynesian praxeological thought, rather than to critically review all that has been written. As global reality unfolds, old proposals may become obsolete and new praxeological thought may become necessary.

### 13.9 *Feasibility of Global Keynesianism*

A key problem is feasibility. For example, the Brandt Report, which triggered the talk about global Keynesianism in the 1980’s, was published

precisely at a time when dominant elite opinion was moving in the opposite direction—namely, in the direction of “Thatcherism” and the “Washington consensus” of global neoliberalism. Economic analyses may lead to a call for political-institutional change or to the despairing observation that “the political will” for proposed changes is missing. The feasibility of the ideas and proposals which may be called global-Keynesian depends, in part, on their intrinsic merits and persuasiveness and, in large measure, on the successes of the political movements, parties and other organizations which fight against the errors of global neoliberalism.

#### 14. IN CONCLUSION

I have attempted in this essay to describe a theoretical and praxeological perspective which is rather new so that it does not have an agreed-upon name yet. Call it global left-Keynesianism or transnational socialism or perspective X; here it is called global Keynesianism and beyond. This perspective combines left-Keynesian economics with world-systems theory (in the form of a preliminary outline). Hopefully, some others will find this useful and I also hope that this will, ultimately, have some practical value for presently living people (Çakmak 1998). “You don’t see those who stand in the dark” (line from Brecht/Weill, “Three Penny Opera”), but those in the dark could use some effective help from the presently living intelligentsia.

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