Overcoming Contradictions through Building Better Common Institutions: The Case of World Trade and International Financial Obligations

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Abstract

The world economy is grounded on cooperative institutional arrangements revolving around “free trade”, but its dynamics generate contradictions and instigate conflicts. Many contradictions can be overcome through learning and by building better common institutions. For example, simultaneous attempts by all or most states to improve their external balance are usually contradictory, as trade deficits and surpluses cancel each other out. The likely overall result of contradictory policies is a reduction in effective aggregate demand in the world economy as a whole, affecting negatively most parts of the system. This in turn may lead to further negative responses. Keynes’ plan for an International Clearing Union (ICU) involves an impartial system of world central banking and a common central bank unit of currency, which Keynes called the bancor. The key point is that obligations are made systemic and financial positions defined against the rest of the world, not against individual countries. Keynes made also proposals about reallocating a part of excessive surpluses through the ICU to the deficit countries. The Brandt Commission, Paul Davidson and Joseph Stiglitz have developed Keynes's proposal into somewhat different directions. Variations among the proposed schemes – even among the fairly like-minded reformist thinkers – stem from differences not only in economic theory but also in underlying ethical and political principles. This indicates that setting up of new common institutions involve ethico-political conflicts too, and the question is how to resolve those conflicts peacefully and in a sustainable manner. In this paper, I evaluate different proposals in terms of their ethical justification, transformative potential and political viability. A key argument is that institutions differ also in terms of their openness to conflict and change, and that this openness is important for their (democratic) legitimacy and viability.

Introduction: the generic problem

At the most general level, political economy contradictions arise from incorrect beliefs about how things work or from the lack of generalisability. Fallacy of composition is a typical but not the only form of social contradiction. Contradictions can also occur at the level of social systems, if there are organising principles that work against each other. The positive point is that contradictions can be overcome by means of collective action and by revising old or building new institutions. This overcoming involves learning and development of consciousness. Actors must first recognise that their environment consists of other similarly concerned and reflexive actors, all interwoven in the same problematic as ‘we’.

From a logical perspective, we can analyse the learning process in terms of abstract stages of consciousness, as in Figure 1. In this scheme, the starting point is that actors take the environment as fixed in relation to their choices. When actors realise that others are actually facing the same situation, the problem of organising collective actions may, in their minds, appear first as a strategic game. If the costs of initiating and organising collective action seem high, instrumentally rational calculation shows no point in collaborating. Even if some activities were already being organised, many might still refrain from action in the belief of not being decisive for the outcome. This is the classic free riding or, with a higher level of
consciousness, Prisoner's Dilemma (PD) situation, which in the world of myopic and self-regarding actors, can result in a collectively deficient outcome.\textsuperscript{1} Something more is needed.

Figure 1: From counterfinality to social and political change

Hence, there is a contradiction specific to each moment of the learning process. Each contradiction has to be overcome before efficient collective action becomes possible. Trust and solidarity help to organise collective actions, but in any social system, they not only depend on the prevailing modes of agency but are also potentially subject to manipulation by the powerful actors. Communication is the first key and development of trust and solidarity the second key to the successful organisation of collective action. In the past, communication often required frequent physical presence, but with the new technologies, actors can communicate across space in real time much more easily. However, unless some of those affected come to know and trust each other on a face-to-face basis, “it is hardly to be expected that they will be able to overcome the contradiction” (Elster 1978, 141).

The scheme of figure 1 can be analytically helpful, but if taken to imply that modes 1 and 2 are primordial, it is misleading. In complex societies with conscious actors, pre-existing social structures are conditions of possibility for agency and action. The parametric and strategic stages of consciousness of rational choice theory are best seen as products of geo-history, rather than as original states of the human mind. Trust, solidarity, long-term commitments and common institutions can be – and to a degree must be – constitutive of the context in which actors are formed and socialised. The applications of rational choice theory and

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\textsuperscript{1} This account is in essence a summary, from a critical realist perspective, of Elster 1978, ch 5. I first attempted to apply this scheme to world politics in Patomäki 2008, 198-200; see also Patomäki 2018. I agree with Sonja Amadae (2015), however, that game theory is best seen as constitutive of many state and other practices rather than as their external explanation; yet it can be applied in historical-constructivist explanations, if this constitution is taken reflexively into account.
neoclassical economics to the social world may well impose a regressive movement: mode₄ → mode₃ → mode₂ → mode₁. Moreover, already resolved contradictions can be regenerated.

There are at least some geo-historical developments that seem to accord with the schematic movement from counterfinality to change. This movement can characterise also inter-state relations. Contradictions of the world economy can thus be overcome by means of collective action and by building better common institutions. The analogy is only partial, however. Collective actors such as states are complex social systems and this can complicate the movement from counterfinality to change. Those acting in the name of a state occupy simultaneous positions at multiple sites of power and levels of organisation (Putnam 1988; for a more structurally oriented perspective on this problem, see Jessop 2012).

**Keynes’s 1940s proposal to overcome contradictions in trade and finance**

Consider the case of Bretton Woods negotiations in 1944. As one of the “Cambridge Apostles” advocating peace and international reforms (Macciò 2016), Keynes analysed the sources of a problem he had identified (contradictions in trade policies), and tried to persuade his colleagues on the both sides of the Atlantic about the counterfinal nature of orthodox foreign economic policies. For the Keynes of the *General Theory*, the mutual dependency of the parts and whole works out, most importantly, through effective demand and the multiplier effect. In a cyclically varying manner, the potentials of new productive powers cannot be fully absorbed because of a number of reasons:

- the active role and demand for money including through what Keynes called “liquidity preference”
- because of the systematically restricted consumption powers of the workers
- and because of the fluctuations of investment

Countries are not isolated systems. In the world as a whole, trade deficits and surpluses cancel each other out. Over time, countries with trade surpluses tend to have savings surpluses, whereas countries with trade deficits tend to accumulate debt. The compositional fallacy occurs when it is assumed that what is possible for a single given actor at a given time is possible for all of them simultaneously. Therefore, simultaneous attempts by all or most states to improve their trade balance can be contradictory. The likely overall result is a reduction in effective aggregate demand in the world economy as a whole. Similarly, states’ attempts to reduce deficits by means of austerity and/or raising taxes can deepen domestic deflationary tendencies and thus reduce their capacity to finance their debts.

Keynes developed a design for an international clearing union. “The plan aims at the substitution of an expansionist, in place of a contractionist, pressure on world trade” (Keynes 1942, 4). The idea was to create and impartial system for the management of trade balances and a worldwide system of banking for international trade that would use a common currency, the bancor, as a unit of bookkeeping and a vehicle for central bank transactions. Obligations would be systemic, with financial positions defined against the rest of the world, not against individual countries. Keynes relied on an analogy with a local banking system:

“No depositor in a local bank suffers because the balances, which he leaves idle, are employed to finance the business of someone else. […] The fact that this costs [creditor
countries] nothing deserves emphasis. The accumulation of bancor credit, as compared with an accumulation of gold, does not curtail in the least their capacity or their inducement either to produce or to consume.” (ibid., 4)

The new system would not only improve the system as a whole but, what is more, it would not harm any country in any situation. In some versions of the plan Keynes also proposed mechanisms for confiscating resources from surplus countries in the name of common good, but only in case they were not willing to increase their domestic demand for imports too to restore balance. Keynes’s main idea was that “if active employment and ample purchasing power can be sustained in the main centres of world trade, the problem of surpluses and unwanted exports will largely disappear” (ibid., 5). The aim was to enable a “new deal” everywhere benefitting everyone, including the surplus and creditor countries and their populations, while leaving ample room for the choice of policies within the states.

In the early 1940s, it was clear to Keynes and many others that the dismantlement of the trade barriers erected during the Great Depression and the war against Germany would require a system guaranteeing sufficient quantities of reserves for all countries under all circumstances. Nonetheless, following complex negotiations with various two-level games, the 1944 Bretton Woods agreement followed more Harry Dexter White’s (US) than Keynes’ (British) proposals (for a historical account, see e.g. Steil 2014). No world central bank or bancor or a system of taxing the surplus was established. Soon the International Monetary Fund (IMF) started to demand deflationary conditions on its loans with regard to Latin American countries. A basic contradiction of the Bretton Woods monetary system, known as the Triffin dilemma, became increasingly clear as the US economic financial position gradually eroded. The dilemma turned acute toward the late 1960s, culminating in President Richard Nixon’s unilateral decisions to delink dollar and gold and put dollar floating.2

A mere few years after the end of the Bretton Woods era, the Third World debt crisis erupted in the early 1980s. Both the IMF and the World Bank started to apply structural adjustment policies to crisis countries. The burden of adjustment was shifted onto the deficit countries, frequently resulting in deep recession, high social costs and further accumulation of debt.

Emergence of global Keynesianism

Keynes’s original proposal was renewed and developed into somewhat different directions by the Brandt Commission (1980) and, a few years later, by Paul Davidson (1992-1993; 2002; 2004; 2014) and Joseph Stiglitz (2003; 2006; 2013). The Brandt Commission outlined the idea of a world civilisation and proposed a new international and global economic system. Among the mechanisms proposed by the Brandt Commission are global taxes, the revenue from which would be used in efforts to eradicate poverty and to promote economic development of

2 According to Robert Triffin (1961), if the United States stopped running the balance of payments deficits, the world economy would lose its largest source of additions to reserves. The resulting shortage of liquidity could pull the world economy into a contractionary spiral, leading to instability. If US deficits continued, a steady stream of dollars would continue to stimulate world economic growth. However, excessive US deficits (dollar glut) would erode confidence in the value of the US dollar. Without confidence in the dollar, it would no longer be accepted as the world’s reserve currency. The fixed exchange rate system could break down, leading to instability. Triffin’s idea was to create new reserve units. These units would not depend on gold or currencies, but would add to the world’s total liquidity. Creating such a new reserve would allow the United States to reduce its balance of payments deficits, while still allowing for global economic expansion.
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 (Brandt 1980, 47). 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 industrialised northern countries (ibid., 67). The problem is that accumulation of debt by the poor countries is not a sustainable way of ensuring sufficient levels of overall demand, as was soon 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 industrialisation, 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. (See ibid., 172-86)

Other suggestions made in the report include:

- price stabilisation 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 in line with Keynes’s ICU-proposal (ibid., 201-20). According to the report, regional arrangements such as the European Monetary System require a functional global monetary and credit system. The Special Drawing Rights system set up by the International Monetary Fund in 1968 was the first step towards a genuinely international currency. 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

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3 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 (EMU). For a systematic discussion about the problems of the EMU, see Patomäki 2013, especially chapters 4-6.
4 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 2014 a bit 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 the review conducted in November 2015, the IMF decided that the Renminbi (Chinese yuan) would be added to the basket effective October 1, 2016. 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 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 (last accessed 8 Sept 2018).
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 should 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 organisation 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 is arbitrary and problematic). Also, power should be distributed more evenly by giving a greater role in decision-making to developing countries (ibid., 212-20).

The proposals of Davidson and Stiglitz

The best known up-to-date Keynesian plans for reforming the world monetary system are those developed by Davidson and Stiglitz. In this section, I summarise their proposals.

Davidson

Davidson (1992-3; 2002; 2004; 2015) has updated Keynes’ plan in order to meet the current economic and political circumstances (the US has moved from being the world’s largest creditor nation to being the largest debtor nation; the experiences of the EU show why independent monetary policies are needed; and there seems to be less political room of manoeuvre than there was at the time of a crisis and war in the 1940s). Davidson proposes what he calls a more moderate version that requires neither a gold-based currency system nor anything resembling a world central bank. As a consequence, Davidson’s version is to some degree more nationally oriented than Keynes’ original plan. “Our suggestion [aims] at obtaining an international agreement that does not require surrendering national control of local banking systems and fiscal policies” (Davidson 1992-3, 158). A supranational central bank is “at this stage of economic development and global economic integration, [...] not politically feasible” (Davidson 2002, 209). A further argument is that it is not necessary either.

In spite of these differences, Davidson’s proposal follows in many ways Keynes’s original ICU-design. The International Money Clearing Unit (IMCU) issued and regulated by the International Clearing Agency will ensure that there can be no draining of reserves from the system. If a member country accumulates excessive credit balances by running current account surpluses it has three basic options to spend its credits: (1) on the products of any other member of the clearing union, (2) on new direct foreign investment projects, and/or (3) to maintain relative efficiency wage parities among countries. Many post-Keynesians support floating rates.

5 I am leaving aside important issues such as the question of nominal exchange rate variability and its consequences. Davidson’s proposal involves fixed but changeable rates between national currencies and IMCU as well as mechanisms to maintain relative efficiency wage parities among countries. Many post-Keynesians support floating rates.
to provide unilateral transfers (foreign aid) to deficit members. (Davidson 2004, 600). Each of these can be implemented in different ways. If they choose to do nothing and the surplus continues to accumulate, then the clearing agency can confiscate and redistribute to debtor members the portion of credits deemed excess. Confiscation of credits seems unlikely. Most government would probably prefer options (1)-(3). Although surplus countries cannot shift the burden to deficit nations, they have a lot of freedom in choosing their adjustment policies.

In accordance with Keynesian economic theory, Davidson stresses that a country can only be living beyond its means if it is at full employment. Nations may experience persistent trade deficits merely because their trading partners are not living up to their means.

“The important thing is to make sure that continual oversaving by surplus nations cannot unleash depressionary forces and/or a building up of international debts so encumbering as to impoverish the global economy of the twenty-first century.” (Davidson 1992-3, 160-1)

Yet there are also other possible causes of deficit. A country may be at full employment and still have persistent international deficits, indicating lack of productive capacity to sustain its current standard of living. If the country in question is poor, there is a case for option (3), i.e. foreign aid meant for the development of those capacities. If the country is rich, it should devalue its currency and thus change its terms of trade until a balance is achieved. In case of excessive debt and debt servicing costs, there is a need for international debt arbitration.

Davidson identifies a further contradiction in the world financial system. If a country faces difficulties and sufficient number of investors start to move their funds to a presumed safe harbour, the effect is similar to a run on a domestic bank that causes the bank to collapse. The anticipation of trouble – or belief that others are anticipating trouble – becomes easily a self-fulfilling prophecy. Soon those who stay in risk losing everything. To prevent this kind of capital flight, IMCU would make it easy to establish capital controls at any point in time (also Keynes’ original proposal included capital controls). Countries that prefer freedom of capital movements can form regional currency unions, but the global system allows for controls.

Stiglitz

Stiglitz (2006, 245) starts from the observation that the current global financial system is not working well: “Money is flowing uphill”. The US is running a huge deficit and borrowing money from the poor countries. What is more, because of the risk of capital flight, countries hold increasingly large reserves that could be used for other purposes, such as development. The demand for reserves has contributed to weaknesses in global aggregate demand. Moreover, the dollar reserve system contributes not only to a weak global economy but also to global financial instability. The crisis of 2008-9 “has further undermined confidence in the U.S. economy and its management, and thus the dollar as a reserve currency” (Stiglitz & Greenwald 2010, 1). The world is already moving out of the dollar-based system, but this is not necessarily an improvement. A jump to a system based on a combination of alternative national currencies such as the euro and yuan renminbi would not solve the problem.

There is thus a quest for a new global reserve system. Stiglitz and Greenwald (ibid.) point out that there are a number of alternative approaches to respond to this quest. They do not specify the institutional details of these alternatives (instead they refer to discussions in the
“All [alternatives] entail annual emissions of the new global reserve currency. The alternatives differ in their degree of ‘ambition,’ the rules by which the global reserve currency (bancor) are distributed, and their institutional structures. [...] The most ambitious is one which (a) allows the amounts to be issued to vary with the state of the global economy, so that the issuance of the global reserve could be an active instrument of global macroeconomic stabilization policies; (b) allows the funds to be used for the pursuit of global public goods, like development and climate change; (c) builds in incentives for countries not to maintain high levels of surpluses, recognizing that persistent surpluses generate macroeconomic externalities on the global economy by contributing to an insufficiency of global aggregate demand; and (d) creates a new institutional structure to administer the new global reserve system.” (ibid., 17)

The most ambitious alternative – which Stiglitz and Greenwald describe here only in generic terms – is compatible with the plans of both Keynes and Davidson (in contrast to the interpretation of Gnos & Rochon 2004, underlining Davidson's more authentically Keynesian views, but relying on an analysis of Stiglitz's earlier works such as 1998, 2002, and 2003). At the same time, the ambitious version mentioned by Stiglitz and Greenwald goes beyond Keynes’s and Davidson’s plans in terms of (a) and (b). In the ambitious version, the issuance of global reserve currency generates new resources. The global money printing capacities would be used for purposes of global macroeconomic stabilisation and common good, such as development and responding to climate change. This is global Keynesianism in the spirit of the Brandt Commission, involving, in effect, global fiscal policy and redistribution.

Stiglitz (2006, 266-8) suggests further that a new global reserve system could also “demonstrate the global community’s commitment to global social justice”. He envisages a large portion of the global funds to go to the poorest countries and to the health and education of the poorest people. This would have to be complemented by reforms of the global tax system. A new global reserve system would be a step forward, but there are other contradictions, problems and lacks that require new kinds of responses.

On the underlying normative principles and the question of democracy

What is characteristic of all these proposals is that economic developments are seen from the standpoint of all actors and countries at once. This viewpoint was evident already in Keynes’ 1919 analysis of and polemics against the Versailles Treaty (Keynes 1920), some fifteen years before he wrote his General Theory and developed the concepts of efficient demand and multiplier effect. Keynes’ main arguments were that the European political economy is characterised by interdependence; that the Great War was essentially a European civil war; and that no part of Europe stands to gain by striving for the economic ruin of any other part.

Perspective-taking is the very basis of our cognitive and moral learning, enabling us to see the social world from an increasingly differentiated and generalizable perspective. In close interaction with other “Cambridge apostles” (Macciò 2016), Keynes developed the capacity to see part-whole relationships also internationally years before he developed the basic
concepts of what is now known as Keynesian economic theory. In the early 1930s Keynes hesitated. For a while he seems to have thought that a higher degree of economic isolation and national self-sufficiency might be more conducive for peace than internationalism, but by the time of writing the *General Theory*, he had moved to what Markwell (2006, 178-89) calls “mature liberal institutionalism”. Keynes was thinking about the conditions of full-employment policies in all countries simultaneously. He soon concluded that to avoid fallacies of composition, in trade and finance, a better world monetary system is needed.

Cognitive and moral learning changes our view of rules and principles. Rules are no longer taken as something external to individual actors and thus sacred or conventional in the authoritative sense; but rather come to be felt as the free product of mutual agreement and an autonomous conscience. In other words, actors come to understand that collective rules are the product of their autonomy and free, mutual agreement (Kohlberg 1971, 164; Piaget 1977, 24-). Learning also points towards cosmopolitan moral sentiments. At the post-conventional level of reasoning, morality and general ethico-political principles must have validity and application apart from (i) the authority of the groups or persons holding these principles; and (ii) apart from the individual’s own identification with any particular groups or institutions.

The (post-)Keynesian proposals I have discussed in this paper for overcoming the contradictions of international trade and finance are post-conventional and cosmopolitan in this sense. A more adequate conceptualisation and logic of reasoning does not, however, determine the substance of ethical and political judgements. Actors reasoning at the post-conventional level can have genuine disagreements about the right course of action, or right rules and principles, when they are dealing with complex moral and social problems. Keynes, Brandt, Davidson and Stiglitz comprise a fairly like-minded “group”, but they do not agree on everything and each individual may also have different phases of development (like Keynes did). Even during his mature internationalist period, Keynes drafted various versions of his ICU-plan. Davidson seems to favour a step back toward Keynes’s protectionist period, in part because of what he think is politically possible and feasible. In contrast, Brandt and Stiglitz try to extend the principle of seeing economic developments from the standpoint of all countries at once. They are also concerned with issues such as global sustainability and justice.

Although the abstract concept of justice is universal, its substance and direction are not. Like almost all ethical concepts, the notion of justice is constructed metaphorically. The core meaning of justice is that similar cases should be treated in the same way, and given what they truly deserve. And yet, there are a large number of basic models of justice. Various theories and ideologies of justice articulate a carefully organised story of justice comprising a selected set of (largely) mutually consistent models. Moreover, actors tell different historical stories about their own and others’ situation. (Patomäki 2006). Keynes expressed his own account of social justice especially at the end of *General Theory* (Keynes 1961/1936, ch 24). His discussion on social justice was tacitly framed in terms of methodological nationalism (cf. Beck 2007). In the international sphere, Keynes’s approach was much more abstract and technical. He wanted to see justice in the abstract, universal sense but he also wanted to avoid political struggles and such asymmetrical situations where specific countries are “put into a position of particular obligation to others” (Keynes 1942, 9). Keynes felt that the world economy should be regulated in an autonomous and automatic way – it should, as far as possible, operate like the market in classical economic theory (Swedberg 1986, 378). Keynes’s ICU-plan was also Anglo-American. In his vision, the rest of the world was to be invited to
participate on the US and UK terms; and as the founding members, these two countries would retain their special status into the foreseeable future.

The problem is that the rules, principles and decision-making procedures of the envisaged new global monetary system would not be sacred, external, given or conventional in any self-evidently authoritative sense, but rather something that actors can disagree about for instance in terms of economic theory, justice, sustainability or development. Human reason is not only metaphorical but also practical and emotionally engaged. For example, the sense of injustice can be taken very seriously. Chaïm Perelman (1963, 6) went as far as to argue:

“Every revolution, every war, every overthrow has always been effected in the name of Justice. And the extraordinary thing is that it should be just as much the participants of a new order as the defenders of the old who invoke with their prayers the reign of Justice.”

Epistemological relativism does not exclude the possibility of rational judgements about justice or other values. Although no one is absolutely wrong, for each is speaking of different justice, theories and ideologies of justice based on various claims that can be criticised. This is not only a key task of social sciences; it is also what public politics is about. There may be better reasons for some theories than for others. The key point is that the acknowledgement of the variety of conceptions of justice and other salient issues and values should be taken as an argument for global democratisation. Democratisation means efforts to create widely accessible world public spaces and equal forms of political participation, representation and decision-making in systems of global governance and government.

A brief conclusion

Stiglitz (2006, 280-92) discusses the problem of “democratic deficit in the international institutions”. His proposal is twofold: (1) to democratise those institutions that are really needed and (2) to limit the scope of global decision-making. Independently of the plausibility and details of his arguments (cf. Patomäki & Teivainen 2004), what is important in this context is to recognise the nature of the problem. A new global monetary system, suitable for the 21st century, should be both more differentiated (implying a more nuanced understanding of social realities) and more integrated (implying symmetry and consistence) than in Keynes’ original vision and in most 20th century proposals. The system should also be changeable and open to revision. In other words, global Keynesianism will have to be democratised.

References


