

Neoliberalism and the Global Financial Crisis

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Abstract *First I make a case for the possibility of defining neoliberalism in a sufficiently evident and coherent way as a programme of resolving problems of, and developing, human society by means of competitive markets. Second, I argue that the more narrow, technical and short-term one's definition of Keynesianism is, the more plausible the claim about a new era of Keynesianism may seem. A multidimensional comparison between ideal-typical models of social democracy and neoliberalism shows, however, that the ongoing global economic crisis has so far prompted responses that are leaving neoliberalisation intact in most dimensions and may even elicit further neoliberalisation. I conclude by discussing the limits of thinking about ideologies in territorial-statist terms. The current era may well be replaced by an era of green global Keynesianism; but a full-scale return to mere national social democracy is unlikely, especially given the discrepancy between the reaches of territorial states and private capital operating in competitive, liberalised world markets.*

Introduction: Are We All Keynesians now?

In 1965, when inflation was rising, production was becoming increasingly transnational and global finance was re-emerging, a headline of a *Time* magazine cover story declared, "we are all Keynesians now."¹ The headline, which became a globally known catchphrase, was taken from a quotation by Milton Friedman. Soon, Friedman explained that he was quoted out of context:

The quotation is correct, but taken out of context. As best I can recall it, the context was: "In one sense, we are all Keynesians now; in another, nobody is any longer a Keynesian." The second half is at least as important as the first.²

Five years later, in January 1971, Republican US President Richard Nixon declared, "I am now a Keynesian in economics."³ In spite of his declared intentions, and following deficit budgets to finance military and social programs, Nixon's August 1971 decision to delink dollar and gold indicated the end of the Keynesian era. The subsequent move to floating exchange rates, favoured by Milton Friedman but opposed by many practitioners and some

¹ "We Are All Keynesians Now," *Time*, Friday, December 31, 1965, available at: <<http://www.time.com/time/magazine/article/0,9171,842353,00.html>> (accessed April, 20, 2009).

² Milton Friedman, "Letter: Friedman & Keynes," *Time*, February 4, 1966, available at: <<http://www.time.com/time/magazine/article/0,9171,898916-2,00.html>> (accessed April 20, 2009).

³ As reported by Leonard S. Silk, "Nixon's Programme—"I am now a Keynesian,"" *New York Times*, January 10, 1971. Nixon made this statement in the context of bad economic news and announcing a deficit-spending budget involving 8% rise of expenditure, which was tailored to secure full employment—a common interpretation also in view of the 1972 elections.

Keynesian economists,⁴ advanced further the re-rise of global finance and corroborated private capital's structural power *vis-à-vis* states. Domestically, Nixon initiated a return to pre-New Deal levels of socio-economic inequality; and externally, his government supported General August. Pinochet's 1973 coup in Chile, involving an experiment with the Chicago School free market ideas of Friedman and others. Soon critics started talking about a new, neoliberal era.⁵

The 2008–2009 global financial crisis, and public responses to it, have prompted commentators to speculate whether we are, after a long break, once again “all Keynesians.” In the April 2009 debate at *The Economist* website over the statement “this house believes that we are all Keynesians now,” 37% of the virtual participants voted “yes” and 63% “no”.⁶ Although an overwhelming majority seem to be sceptical about the claim that we are all Keynesians now, it is worth exploring whether the 2008–2009 financial crisis may in fact be drawing the neoliberal era to a close. The problem is that the meaning of the key term “Keynesian” remains as ambivalent and contested as it was in the 1970s. The same is true of its counterparts. “Neoliberalism,” a term almost exclusively used by the opponents of free market ideas, may appear especially fuzzy.

Despite real ambivalences and contestations, however, I make, first, a case for the possibility of defining neoliberalism in a sufficiently evident and coherent way. Secondly, I define Keynesianism and argue that the more narrow, technical and short-term one's definition of Keynesianism is, the more plausible the claim about a new post-neoliberal era of neo-Keynesianism may seem. A multidimensional comparison between ideal-typical models of social democracy and neoliberalism shows, however, that the ongoing global economic crisis has so far prompted responses that are leaving neoliberalisation intact in most dimensions. I conclude by discussing the limits of thinking about ideologies in territorial-statist terms. The era of neoliberalism may well be replaced by an era of global Keynesianism; but a full-scale return to mere national social democracy is unlikely.

Why Neoliberalism Seems an Especially Contested Concept

Let me start with a definition of neoliberalism.⁷ Neoliberalism is a programme of resolving problems of, and developing, human society by means

⁴ As James Tobin has pointed out, many economists, of whom Milton Friedman was an eloquent and persuasive spokesman, had been advocating floating exchange rates: “By the early 1970s [this] view was the dominant one in the economics profession, though not among central bankers and private financiers. And all of a sudden, thanks to Nixon and Connally, we got our wish. Or at least we got as much of it as anyone could reasonably have hoped, since it could never have been expected that governments would eschew all intervention in exchange markets.” James Tobin, “A Proposal for International Monetary Reform,” *The Eastern Economic Journal* 4:3–4 (1978), p. 153.

⁵ The earliest studies using the term neoliberalism in its now common negative, pejorative sense appeared soon after the 1973 *coup d'état* in Chile. See for example Michael Chossudovsky, “The Neoliberal Model and the Mechanisms of Economic Repression,” *Co-existence* 12 (1975), pp. 34–57.

⁶ This debate and related vote is available at: <<http://www.economist.com/debate/overview/140>>.

⁷ For an excellent critical scrutiny of the concept of neoliberalism, see Taylor C. Boas and Jordan Gans-Morse, “Neoliberalism: From New Philosophy to Anti-Liberal Slogan,” *Studies in Comparative International Development* 44:2 (June 2009), pp. 137–161.

of competitive markets.⁸ Things and processes can be identified as problems only within a framework, and neoliberal theories frame things and processes (for example, inflation that used to be high in the 1960s and 1970s, and competitiveness of states, emerge as key problems). Competitive markets are assumed to be efficient and just and to maximise freedom of choice. Competitive markets can be private and actual, or they can be simulated within organisations, whether private or public. Neoliberalism is comprised of in some ways contradictory theories, all of which can be developed in different directions; and yet all these theories posit competitive markets as superior in terms of efficiency, justice or freedom, or a combination of them.

These theories include market-libertarian political philosophies; the standard, textbook theory of neoclassical economics; and the New Public Management philosophy of modernising the public sector. For instance, Friedrich Hayek's political philosophy is explicitly normative and ideological, whereas mainstream neoclassical economics relies on formal models and technical claims such as the first theorem of welfare economics, and can take into account Keynesian considerations particularly through the ISLM-synthesis of standard neoclassical theory and Keynesianism (ISLM stands for a formal model of simultaneous equilibrium of planned savings, planned investments, liquidity preference, and money supply). Neoclassical economists see free markets as efficient with particular, limited exceptions, but are not necessarily confident on the benefits of bureaucratically simulated markets within organisations, advocated by the New Public Management thinkers. Theories of neoliberalism can thus be in tension with each other.

There is much doubt and puzzlement about the legitimacy of the concept of neoliberalism, which is usually used by the critics only. Since the 1970s, these critics have often focused on authoritarian and/or explicitly political versions of neoliberalism, those advocated by Milton Friedman, Friedrich Hayek, and other right libertarians, and put forcefully into effect by Latin American juntas before the wave of democratisation in the 1980s.⁹ There is thus a contemporary political bias behind the use of the term:

⁸ Competition and competitive can be contrasted to either (i) monopoly and monopolistic, or (ii) to cooperation (in the theory of markets, these two antinomies can be close as when cooperation between firms enables monopolistic pricing practices; paradoxically, a successfully competitive firm can become monopolistic). In popular discourse and newspaper articles, the terms "competition" and "competitive" have become dramatically more frequent than "monopolistic" or "cooperative"; and "competition" and "competitive" are being used increasingly often in a positive sense, whereas earlier in the 20th century the positive effects of cooperation prevailed and competition was seen more often negatively than not. David George, "On Being 'Competitive': The Evolution of a Word," *real-world economics review*, 48:6 (December 2008), pp. 319–334, available at: <<http://www.paecon.net/PAERreview/issue48/George48.pdf>>.

⁹This is partly true of David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005). A striking recent example is Naomi Klein's *Shock Doctrine*, which is based on the claim that strategies of physical torture, implementation of Milton Friedman's political philosophy, securitisation, and war are all based on the same underlying logic. Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (New York: Metropolitan Books, 2007). Another alarmist example is Henry A. Giroux, *The Terror of Neoliberalism: Authoritarianism and the Eclipse of Democracy* (Boulder, CO: Paradigm Publishers, 2004). Giroux fails to distinguish between neoliberalism and neoconservatism; for a summary of the relevant differences and connections, see Manfred B. Steger, *Globalism: Market Ideology Meets Terrorism* (Lanham, MD: Rowman & Littlefield: 2005), pp. 16–17.

[N]eoliberalism is employed asymmetrically across ideological divides: it is used frequently by those who are critical of free markets, but rarely by those who view marketisation more positively.¹⁰

This complaint, however, already presupposes an ideology that sees competitive free markets as a superior way of organising (major aspects of) society and thus views marketisation positively. The question seems to be only about how to name this ideology. The “neo” prefix indicates temporal succession: from the 19th-century economic liberalism to social democracy and socialism, and then to a new form of economic liberalism. In this sense neoliberalism is an accurate term; and it is also roughly in accordance with the intentions of the first-generation proponents of it.

The term “neoliberalism” first appeared in Germany in the interwar era (1919–1933), when a number of intellectuals and politicians wanted to qualify classical economic liberalism in order to make it more viable (this school returned to the scene after the Second World War, and also had democratic connotations). In the 1960s, some pro-market Latin American intellectuals found these writings and started to talk about *neoliberalismo*, also in admiration of the post-war “German economic miracle.” The early neoliberals coined the term “social market economy.” For these people, neoliberalism was a qualified form of economic liberalism that should assume leadership after the failure and marginalisation of the classical economic liberalism since 1914 or at the latest since 1929.¹¹ Friedman and Hayek were more conservative, however, and advocated a return to what they considered pure classical economic liberalism. “We neither can wish nor possess the power to go back to the reality of the nineteenth century, [however], we have the opportunity to realize its ideals.”¹²

Since the days of Margaret Thatcher and Ronald Reagan, actors involved in implementing the day-to-day programme of neoliberalism, especially in the Organisation for Economic Co-operation and Development (OECD) countries but also elsewhere, have taken for granted the background of formal liberal democratic institutions and related human rights. They usually think in incremental and technocratic terms, perhaps failing to see the big picture that emerges from their own actions. Moreover, they tend to assume that neoliberal theories, or memorandum- and newspaper-versions of them, are compatible with fostering values not reducible to neoliberalism (for example neoliberal means to sustain welfare-state finances).¹³

¹⁰ Boas and Garse-Morse, *op. cit.*, p. 138.

¹¹ *Ibid.*, pp. 145–150.

¹² Friedrich A. Hayek, *The Road to Serfdom* (Chicago, IL: University of Chicago Press, 1944), p. 240. Cf. Milton Friedman, “Liberalism, Old Style,” *Collier’s Year Book* (New York: P.F. Collier & Son, 1955), pp. 360–363. Nonetheless, 19th-century ideas have not been replicated in the late 20th and early 21st century. Rather, pro-market ideas are now more technical and abstract than in classical liberalism; the principles of social market economy are widely accepted; and new theories such as New Public Management are constitutive of the contemporary formation.

¹³ “Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist.” John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London: MacMillan: 1961 [1936]), p. 383. I would only add that this can be shown by means of discourse analysis capable of revealing the presuppositions of claims being made in bureaucratic memoranda, newspaper articles, and public speeches.

The late 20th century and early 21st century *aporias* of the concept of neoliberalism have also to do with strategies of re-presentation and rhetoric in the public domain of liberal democracies. Life in affluent industrial countries, with significant elements of a welfare state (remaining), is characterised by technological change and at least some economic growth.¹⁴ New is normally assumed to be better than old, while radical political changes and ideologies are seen as non-desirable.

It is beyond the scope of this paper to discuss the geo-historical formation of these background discourses in any detail. Two remarks will have to suffice. First, despite manifold 20th-century twists and turns in the dominant conception of time, a techno-commercial version of the Enlightenment belief in linear progressive time remains part of the globalised Western common sense.¹⁵ New models of cars or computers are technically more advanced than the previous ones and thus better—as seen on TV. The second part of my claim is roughly analogous to the well-known median voter model of rational choice theory. In many issues, average citizens position themselves close to the median, especially if they sense that others are behaving similarly, and this process generates something analogous to a single-peaked distribution of preferences. Behind this process lie deeper processes. It takes time and energy and manifold life experiences to become a social actor with the characteristics of a particular geo-historical form of agency. Plausibility of public speech-acts stems from a shared common sense and others' opinions, which are increasingly shaped by global media. People may also be motivated by considerations of ontological security; and they may also reside in illusions, (i) because of lack of sociological imagination, or (ii) because illusions sustain sense of selfhood and ontological security, or (iii) because illusions serve their interests in an unacknowledged way. Hence, continuity tends to prevail in the short run (<25 years). The moments when demands for major reform and transformative mass movements come to the fore and achieve at least some of their goals are exceptional—and usually due to deep structural changes or crises that affect the existential conditions of everyday life. In the neoliberal era, existentially significant crises have been more common in the global south.

Given this geo-historical field of determining the plausibility of public speech-acts, the already negatively charged concept of neoliberalism is not respectable for self-description. It gives simultaneously the impression of being radical or ideological; and indicates nostalgia for the 19th-century economic liberalism and thus obsolescence.¹⁶ To describe oneself as neoliberal risks combining the worst in both dimensions (D in table 1). This is also a reason why the critics are so fond of the term and why those in favour of marketisation often depict neoliberal reforms

¹⁴ Claims that welfare benefits have not been reduced in the OECD countries are based on overtly mechanical way of reading quantitative figures about state expenditure and do not reflect changes in social mechanisms and experiences in everyday life. Nonetheless, the situation is drastically worse in those parts of the global south, where lack of genuine economic growth has been associated with stagnation or decline in already low welfare spending. Cf. John Glenn, "Welfare Spending in an Era of Globalization," *International Relations* 23:1 (March 2009), pp. 27–50.

¹⁵ For the Enlightenment era conceptual transformations, see Reinhart Koselleck, "Time and Revolutionary Language," *Graduate Faculty Philosophy Journal* 9:2 (1983), pp. 117–127.

¹⁶ Cf. the Hayek quote cited in footnote 12.

Table 1. Dimensions of Contestations over the Meaning of Neoliberalism

	Old-fashioned/ obsolete	Modern/ progressive
Ideological/radical	D	C or B
Normal/common-sensical/prudent/technical/scientific	B or C	A

Preference order: A > B > C > D.

as technical means to improve efficiency or as prudent measures of modernisation (A in table 1).

The existence of a political programme that favours competitive markets is not at stake, just the name given to it. It is only fair to encourage the proponents of competitive markets to use (an)other name(s), even if less accurate names (for instance, “contemporary liberalism”). As also indicated by Table 1, the category of neoliberalism is fuzzy and in some ways ambiguous, but not exceptionally so. Categories are not containers with clear-cut boundaries. Rather, identification of something is a matter of degree in a multidimensional and complex way. At times it takes a considerable effort to make a judgement whether X (say a policy or person) falls inside or outside the category; X often also contains other elements. This is true also for neoliberalism. Moreover, the further the programme of neoliberalism succeeds in transforming society, the more it changes the contents of normality and common sense. As the field of public re-presentation and rhetoric shifts, an actor that considers him- or herself as prudent, and involved in the programme of developing society in terms of new market-based solutions only to a limited degree, may end up subscribing to a substantial part of Friedman’s blueprint.¹⁷

Ideological Consequences of the Global Financial Crisis 2008–2009

Next, in order to determine the extent to which the economic crisis of 2008–2009 may be changing the political landscape, I need to outline the meaning of the term “Keynesian” and how it contrasts to neoliberalism, as defined above. The standard reading is that Keynesian economics advocates government intervention and demand-side management of the economy to get as close to full employment as possible. In Keynesian thinking, government deficit spending and fiscal stimulus are needed at the time of a downturn, because free markets do not lead automatically to optimal outcomes but may rather result in a spiral of downward developments. In 2008–2009, governments all over the world are engaging in fiscal stimulus and deficit spending and, with central banks, they are also acting as lenders of the last resort. Some failed banks have even been nationalised; many others rescued. Moreover, a further Keynesian notion seems to have gained ground:

Federal Reserve Chairman Ben Bernanke embraced the explicit Keynesian notion that the government should write checks to “low and moderate income people,”

¹⁷Milton Friedman (with the assistance of Rose Friedman), *Capitalism and Freedom* (Chicago, IL: University of Chicago Press, 1962).

who will spend it quickly and thus lift consumer demand. In the academic literature, this is called having a higher “marginal propensity to consume” than the more affluent, who tend to save more.¹⁸

Clearly, these kinds of tenets deviate from the programme of developing society by means of introducing, liberalising and creating competitive markets, actual or simulated. Free financial markets have collapsed across the world, with far-reaching consequences to the world economy as a whole.¹⁹ Governmental responses seem in accordance with the basic tenets of Keynesian economic theory. Whether these constitute a move towards a post-neoliberal era depends on a number of things:

- Will Keynesian measures turn out to be temporary or permanent?
- Can the consequences of the crisis be allayed and confined?
- Will the adoption of Keynesian macroeconomic policies lead to reconsideration of the neoliberal programme more generally?

According to the prevailing interpretation that has been expressed, for instance, in the G20 meetings, the crisis was caused by a lack of adequate governance and regulation of finance, not because of any inherent tendencies of financial markets, or capitalism more generally. “Fix [private and public governance], and capitalism will be just fine.”²⁰ From this point of view, once the regulatory lacks and biases have been corrected, and the economic situation otherwise normalised, the world is expected to go back to the neoliberal business as usual. The “return” to Keynesianism may thus be short-term and limited to the operation of rescuing banks, corporations and, more generally, private capital.

The political consequences of the financial crisis are indirectly contingent on its socio-economic effects. If these effects remain limited, the overall direction of developments will probably stay unaltered. If (a) the overall annual negative real per capita global growth rate does not fall, on average, below the level of 1% or 2%, and (b) if the crisis can be contained and a recovery starts in 2010 or at the latest in 2011, it is likely that we will see just another round of technical reforms of regulation. Moreover, as states become increasingly indebted by 2011, the aftermath of the crisis will be characterised by painful decisions to cut state expenditure or raise taxes. This may mean more downsizing of the welfare state and neoliberalisation.

Even assuming that macroeconomic Keynesianism is back for good (it has never been entirely absent), does that mean that the neoliberal era is over and a new era is beginning? Neither neoliberalism nor Keynesianism is only about macroeconomic management. Keynes stressed that countercyclical policies and full employment are not the only aims:

¹⁸ “We’re All Keynesians Now,” *Wall Street Journal*, January 18, 2008, available at: <http://online.wsj.com/article/SB120062129547799439.html?mod=opinion_main_comments> (accessed April 23, 2009).

¹⁹ For a causal analysis, see Heikki Patomäki, “Global Financial Crisis: A Causal Explanation and Two Short-term Scenarios,” *Globalizations*, 7:1 (February 2010), forthcoming.

²⁰ Stephen S. Roach, “Whither Capitalism?” *Journal of Applied Corporate Finance* 21:1 (Winter 2009), p. 27.

The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes. ... [Moreover] under the system of domestic *laissez-faire* and an international gold standard such as was orthodox in the latter half of the nineteenth century, there was no means open to a government whereby to mitigate economic distress at home except through the competitive struggle for markets.²¹

Keynes's *General Theory* was also about redistributive justice and the conditions for international peace, not only about macroeconomic management. The reason why it became so popular in the 1940s and 1950s was that it responded to a series of mid-20th century problems and catastrophes in a manner that was compatible with a variety of political ideologies, including those of the reformist labour movement. The Bretton Woods era (1944–1971) was dominated by social-democratic ideas that incorporated Keynesianism but involved also other ideas about developing society.

It is particularly illuminating to contrast neoliberalism to classical social democracy. Although a gross simplification, Table 2 depicts some of the dimensions and complexities of both ideologies. There are six policy dimensions: economic policy; definition and regulation of the public and private; redistribution of wealth; democracy; public organisations; and education. Despite similarities such as a commitment to private property, some civil and political rights, and liberal democracy, there are decisive differences in all dimensions.²² The overall direction is remarkably different. Whereas neoliberalism implies logically a global system of competitive capitalist states and markets, and simulations of competitive markets within organisations; social democracy is geared towards a gradual realisation of democratic socialism, built upon the principles of social cooperation, and towards building a democratic multilateral system of global governance. The German social democrat Eduard Bernstein defined "socialism as a movement towards—or the state of—an order of society based on the principle of association."²³ Ultimately, social democracy is aiming at building society around voluntary partnership and democratic cooperation rather than competition.

In this ideal-typical contrast, fiscal stimulus can assume neoliberal characteristics, for instance when the emphasis is on tax cuts that favour private capital and the well-off households. The redistributive effects of macroeconomic management are contingent on the substance of the measures taken. Nationalisation of banks is social democratic, but if it is meant only as a temporary measure, it is compatible with neoliberalism in the 5–10 years' time scale. Furthermore, Keynesian macroeconomic management does not necessarily halt or reverse processes of privatisation and further extension and consolidation of private property rights.

²¹ Keynes, *The General Theory*, pp. 372, 382.

²² Of all the models of the actually-existing systems, this ideal type resembles most closely the universalist social democracy of Sweden at its watershed moment in the early 1980s. See Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990); Magnus Ryner, *Capitalist Restructuring, Globalization and the Third Way: Lessons from the Swedish Model* (London: Routledge, 2002).

²³ Eduard Bernstein, *Evolutionary Socialism*, trans. by Edith C. Harvey (London: The Independent Labour Party, 1907), available at: <<http://www.marxists.org/reference/archive/bernstein/works/1899/evsoc/index.htm>> .

Table 2. Social Democracy vs. Neoliberalism

	Social Democracy	Neoliberalism
Economic policy	Demand management policies; stimulus by means of deficit and public projects, especially during downturns; high employment as the first priority; low inflation as a secondary target (some inflation good for growth, and money supply not the key issues); national finance.	Balanced budgets and external accounts; low inflation as the first priority; consistent control of money supply as the key to low inflation; supply side incentives key to growth; free markets should not be distorted; if stimulus needed, tax cuts; global finance.
Definition and regulation of the public and the private	Diversity of ownership of means of production (private capitalist, public state-owned, cooperatives); decommodified spaces (for example in health, education); public and corporatist regulation of the private sphere; private property is not absolute.	Privatisation; uniformity of ownership of means of production; commodification of new areas of social and natural life; deregulation and flexibility of labour markets; rule of law means consolidations and extension of private property rights.
Redistribution	Universal tax-and-transfer policies and public services to ensure Rawlsian principles of redistributive justice (equal real opportunities and remaining inequalities must benefit the least advantaged).	Either: free competitive markets guarantee Lockean principles of justice (right-neoliberalism); or: also social safety nets, but no rights without duties and means-testing (left-neoliberalism).
Democracy	Parliamentary liberal democracy; welfare state increases political capacities and possibilities for socialist mobilisation through parties; experiments with democracy in new areas of social life.	Parliamentary liberal democracy; post-democratic political parties operating professionally through commercial media; limiting democracy to negative rights and municipal/state elections.
Public organisations	Weberian model of rational bureaucracy, based on the ethics of civil servants; principles of democracy applied in some public organisations.	Privatisation; outsourcing; new public management of simulated markets within organisations; line-management to replace elements of democracy.
Education	Free public education at all levels as a condition of equality and freedom; principles of collegiality, citizenship and democracy applied at seats of learning.	Partly or fully privatised/commercialised education; markets and corporate governance simulated in education; students are constituted as customers.

Likewise, some elements of Keynesian macroeconomic management can go well together with neoliberalisation in the domains of democratic politics, public organisations, and systems of education. While proponents of neoliberalism often contend that promoting free markets is nearly synonymous with promoting democracy, competitive markets operate on different principles than democracy. Freedom to use one's money and property in whatever way one wishes is not the same as equal rights in collective decision-making. One dollar–one vote is a different principle from one citizen–one voice and vote.

The process of introducing, strengthening or simulating competitive markets undermines democracy in a number of ways. Existing property rights regimes, especially when based on the conception of absolute and exclusive rights, disenfranchise the have-nots.²⁴ Simulation of markets and corporate governance within public organisations and systems of education tend to displace democratic principles of participation and representation. More generally, neoliberalisation reduces the scope of democracy: the domains of life and social relations under democratic control.²⁵ It also affects the quality of liberal institutions by allowing money and commercial media an increasingly important role in determining the outcome of elections.²⁶

Elements of Keynesian macroeconomic management are, moreover, also compatible with privatisation and outsourcing of public organisations and their activities; with implementing simulated competitive markets within public organisations; and with substituting elements of democracy for hierarchical line-management in those organisations. The same holds true for privatisation and commercialisation of education; for simulation of markets and corporate governance in the systems of education; and for envisaging students as (paying) customers.

The 2008–2009 economic crisis may, or may not, have changed the general principles of macroeconomic policy enduringly, but so far the crisis has not had a major impact on other dimensions of neoliberalisation. The nationalisation of a few banks is the only major counter-example. The redistributive effects of the fiscal stimulus packages remain to be seen. It is thus way too early to talk about a post-neoliberal era.

After Neoliberalism: Global Keynesianism?

The question “Are we all Keynesians now?” is usually posed in the context of national economic policy responses to the crisis. There are limits, however, to thinking about ideologies in limited territorial-statist terms. Keynes himself was not confined to national imaginaries; he envisaged the global political economy as a single whole. Keynes wanted to avoid political struggles and asymmetrical situations where specific countries are “put into a position of particular obligation to others.”²⁷

²⁴ Robin Hahnel, “Why the Market Subverts Democracy,” *American Behavioral Scientist* 52:2 (March 2009), pp. 1006–1022.

²⁵ See John Dryzek, *Democracy in Capitalist Times: Ideals, Limits and Struggles* (Oxford: Oxford University Press, 1996).

²⁶ See Colin Crouch, *Post-democracy* (Cambridge: Polity, 2004).

²⁷ J.M. Keynes, “Proposals for an International Currency Union,” in J.M. Keynes, *The Collected Writings of John Maynard Keynes, Vol. XXV* (London: Macmillan, 1980 [1941]), p. 46.

Obligations should thus be made systemic and financial positions defined against the rest of the world, not against individual countries. Keynes also maintained that “central control of capital movements, both inward and outward, should be a permanent feature of the post-war system.”²⁸ Unstable global finance should not be allowed to dominate the world. Moreover, no unnecessary external pressure towards contractions should be exercised against any country. On the contrary, at the time of a downward phase in a business cycle, expansionary policies should be made possible and encouraged also internationally.

Despite these important openings, Keynes did not fully address the structural discrepancy between the world of territorial states and open spaces of the globalising capitalist market economy. For Keynes, states remained the locus of economic policies. In the early 21st century, the problem has arguably become fully global: “the global regime of accumulation is unable to establish reasonable levels of demand and productivity growth.”²⁹ Keynes’s own response is thus insufficient.

Moreover, Keynes wanted to establish a non-political and technocratic system of global governance. He 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.³⁰ The doctrine of neutrality presupposes particular technical knowledge about management of the world economy as fundamentally true, or Keynes’s own “general theory.” It also presupposes a particular theory of justice. This theory is, in a limited sense, redistributive, and was also meant to be a defence of the capitalist market society and free trade. Keynes’s plan was technocratic, in many regards fixed and thus unchangeable, since no proper mechanisms of democratic change were included. And although Keynes adhered to the idea that international relations should be based on the rule of law, in effect he would have left the interpretation of law to the American and British governments.³¹

Because the class basis of social democratic mobilisation has eroded in the OECD countries; because the prevailing modes of political agency have changed; and especially because of the structural discrepancy between the world of territorial states and the open spaces of competitive, capitalist markets, I think a mere national return to the social democratic political project is dubious.

Furthermore, given global warming and other ecological problems, Keynesianism is likely to become greener in the course of the 21st century. The rate, composition, and distribution of economic growth can also be shaped and to a degree planned by means of global governance. Sustainable global growth would be life-promoting rather than lethal from an ecological point of view; and from a social point of view, it would accommodate trust, caring, and social infrastructures rather than encouraging atomisation and commodification.

²⁸ *Ibid.*, p. 52.

²⁹ Philip O’Hara, *Growth and Development in the Global Political Economy: Social Structures of Accumulation and Modes of Regulation* (London: Routledge, 2006), p. 208.

³⁰ Richard Swedberg, “The Doctrine of Economic Neutrality of the IMF and the World Bank,” *Journal of Peace Research*, 23:4 (December 1986), p. 378. On the doctrine of economic neutrality, see also Teivo Teivainen, *Enter Economism, Exit Politics: Experts, Economic Policy and the Damage to Democracy* (London: Zed Books, 2002).

³¹ See Heikki Patomäki, *The Political Economy of Global Security: War, Future Crises and Changes in Global Governance* (London: Routledge, 2008), pp. 184–194.

In the 19th and 20th centuries, the movement towards allegedly self-regulating markets called forth a countermovement of national social protection. In the 21st century, the countermovement is likely to be greener and more global in its orientation. Hence, an affirmative answer to the question “Are we all Keynesians now?” is not plausible unless it is accompanied by a realist vision of global institutional transformations making green, democratic and global Keynesianism possible.

Conclusions

In this paper, I have assessed the widespread claim that the 2008–2009 financial crisis has already prompted an ideological shift from neoliberalism to neo-Keynesianism. Defining neoliberalism as a programme of resolving problems of, and developing, human society by means of competitive markets, my conclusion is that the shift is clearly evident only from a fairly narrow and short-term perspective that focuses on macroeconomic management of states. Moreover, even fiscal stimulus can be in some ways neoliberal, for example, when the emphasis is on rescuing private capital and tax cuts that favour well-off households.

Compared to the social democratic programme of developing society by means of social cooperation, trust, and solidarity, it is clear that in most dimensions, the neoliberal project remains so far largely intact. Should the crisis deepen, neoliberalism will be reevaluated more fundamentally.³²

According to my concluding argument, although self-regarding national responses can easily become prevalent because of the crisis, a return to a full-scale national social democratic project is unlikely.³³ If anything, neoliberalism can be replaced in a sustainable way by a green version of global Keynesianism, involving also new ideas and visions about global planning, redistribution, justice, and security. To paraphrase a Keynesian economist from the 1960s, this shift would constitute a step in “the long march of mankind toward its unity and better control of its own fate.”³⁴

³² And if the 2008–2009 financial crisis can be contained and limited, the next crisis is probably going to be even bigger, given the growth of the underlying super-bubble. See Patomäki, “Global Financial Crisis,” *op.cit.*

³³ Noticeably, the Prime Minister of Australia Kevin Rudd has argued in favour of such a return under the (rather moderate) rubrics of “saving capitalism from itself and its own excesses” and “balancing the private and the public, profit and wages, the market and the state.” While proposing a few reasonable global governance reforms, he too suspects that “when the financial system stabilises and the global recession eases, we can expect to see governments pulling back from direct involvement in the ownership and operation of the banking sector.” Kevin Rudd, “The Global Financial Crisis,” *The Monthly: Australian Politics, Society & Culture*, 42 (Feb 2009), available at <<http://www.themonthly.com.au/tm/node/1421>>.

³⁴ Robert Triffin, *Our International Monetary System: Yesterday, Today, and Tomorrow* (New York: Random House, 1968), p. 179.

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