

CAN WE BUILD AN EUROPEAN SOCIAL MODEL ON KEYNESIAN BASIS?

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Potentials, ambiguities and perspectives’***

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Introduction

At present the world seems divided into two different important lines of thought in economic and social issues. On the one side, neoliberal ideas seem to maintain their supremacy and even increase its influence in USA, China, India, and many other countries (you know best about the outcome of policy after the elections in Germany), plus the 'eternal' positions of the FMI. But there is another side where it is becoming almost a common idea that policies of the last decades of the economic and social situation have come to an end and have to change¹ When even conspicuous advisors and actors in neoliberal policies as Stiglitz and Soros, even some guests at Davos, show their uneasiness, something is happening. More relevant, many other events in the world are attesting to this need for change. It may be thought that the very interesting turns of the political scenarios in Latin America, for instance, are the expression of the deeply felt sentiment that things need a profound change, but in other parts of the world as well that trend seems to advance. It is a period when thought and action seem to acquire still more importance than in the recent past. I welcome the organisation of this meeting that pushes us into this opportunity for thinking along those lines.

The need for change²

I do not find necessary or useful to go again repeating the many problems that the EU confronts today nor the deficiencies of its social policies since they are always a continuation of the same lines. Obviously there are changes and following up every change in directives and recommendations has become a busy full time job, but nothing essential changes in the deep lines and basic objectives of policy. The best prove of it is that after the French 'shock' Villepin was made Prime Minister of France, Blair, in its presidency of the EU, tries to deepen its neoliberal model, Angela Merkel becomes Prime Minister in Germany and the full EU is not prepared to increase its budget but decides to diminish it³, and so on. Change the window dressing but nothing into the shop. As far as the EU is concerned, its version of neoliberalism goes unperturbed ahead.

The most conspicuous and shocking change during 2005 has, of course, been the French and Dutch NO in the referenda for the project of the Constitutional Treaty. Those NO to the proposed Constitutional Treaty (although I do not think they are entirely similar) are the tip of the iceberg that show that important movements have been taking place at basic popular level in the EU. Not to forget the very wide lack of interest in other countries as shown in the elections to the European Parliament a few months before the NO. Not only in the countries that are already long established members of the EU but also among the new and seemingly enthusiastic ten new members. Not only the population of two countries has stand up and say no but in many other countries where the opportunity to do the same has not been provided to the people⁴, and even where formally the referendum has been won, like in my country, a very important segment of public opinion has turned against the course of the Union. Not so much

¹ The left has always been against those policies but now even many people in the conservative ranks is sponsoring that idea.

² In what follows I shall refer to the evolution of the EU (even if eventually I might shift to larger areas.

³ As Mr. Juncker said the discussion in June about 'Financial perspectives for 2007-2013' was really shameful and greatly deepened the crisis from the inside. Showing the absolute priority of national affairs instead of the European interests, contributed more than the referenda to sunken the Union in increased discredit and paralysis.

⁴ It is also interesting to note that since the No in France and The Netherlands, the constitution has been quietly approved in Letonia, Chipre, Malta, Luxemburg and Belgium (the later in the 8th February 2006. It seems as if there is an intend to approve it without nobody noticing. A very democratic procedure that shows the divorce between people and the Parliaments.

against the Union itself (except for the extreme right segment whose importance I do not wish to diminish nor dismiss) but clearly against the results of the policies and the expectations about the course of the Union in the future.

The results of the referenda and the lack of confidence of the leaders of the countries that have yet to accept the Constitutional project, show that there is a profound deception, preoccupation and even fear for the economic and social conditions in the EU countries. There is no need of a lot of work to show the many reasons why people are very discontent with the EU: Any data we look at provides with ample evidence: at the short term, growth for 2005 is estimated at 1,6-1,4% (euro zone 1,2%) and this implies of course that unemployment continues about 9% on average, where unemployment has diminished precariousness of jobs is notorious... even in countries like mine where the economy is growing and unemployment has diminished substantially, precariousness and instability of jobs is paramount, people is very worried about the wide negative developments of the welfare state, they feel that since the euro, prices have gone up enormously (even if statistical measures assure of almost disinflation especially in France and Germany), housing has reached unbelievable prices. No less significant is that, even in countries where the economy is in recession, the profits of enterprises and the remuneration of their directors are reaching the highest levels ever while wages increase scarcely above the inflation rate, and inequalities are increasing rapidly and enormously. Even the new member countries, with all the high expectations they have about the benefits that 'Europe' may provide seem to be increasingly unsure about the final outcome of their option. Different commentators have asserted that the French no was a 'vote of class' since the lower the economic and social position the stronger was the NO.

Still more relevant is how people feel about their medium term prospects: they are very worried about delocalisation of enterprises, lower wages because competition from far away lands and immigrant workers, lack of opportunities, the fear of disintegration of the welfare state, and the threat of very aggressive competition for manufacturing products (and services: Bolkenstein) from countries with very low wages and social and economic dumping (mainly China but also among old and new EU countries themselves)... uncertainty towards the future is strongly felt. Nobody is sure that jobs and the welfare state are safe and going to last. If I were to choose two words to characterise the present situation I would use UNEASINESS AND UNCERTAINTY.

However, although these are all very relevant factors I am not sure they are the most important. I believe the crisis is much deeper than the economic preoccupations and that 'European scepticism' refers to much more than economic issues. The recent circumstances have given the opportunity to manifest all at once the true feelings of the populations towards EU policies but also about its politics and the ways of life and models of society that they perceive the Union is leading at. I will come back to this later. The need for a deep change seems well established.

Where do we look for change?

The present economic and social atmosphere is so conservative, the neoliberal attack on the majority of the population is so tough, that when looking around for change the first line of action is to try to defend the many hardly won rights and benefits that were the norm until the eighties but have been lost. The struggle to avoid the worst consequences of present strategies and policies, the effort to maintain at least the status quo, becomes so hard that going back to the past becomes an aim.

In the economic realm Keynesian, and especially the new post-keynesian policies are contemplated as the relevant strategies to fight for. It seems that the most we can aim at and hope for are Keynesian policies. And, in any case, they seem the only ones that present any remote chance of being taken up. In this sense 'all (at the left) are Keynesians' again. They seem to provide a relevant, progressive, realistic and attractive path towards social change.

But I am going to argue in favour of the need to go further. Let me make myself clear from the beginning: I also belong to the people that fight for Keynesian policies, I also feel happy when some Keynesian type policies are implemented, often after tough struggles, against neoliberal proposals. My argument here is that keynesianism may improve some issues in front of neoliberal policies, but that the emancipatory left has to be careful not to stop there but aim much further. That relying only in Keynesianism may distort the important longer term objectives, and lead us in a direction where the interest in short term improvements makes us to forget the perspective of transformation of society along which we wish to advance. And that, in any case, we should find ways by which the struggle for keynesian policies should be integrated in the broader and much more important objective of transforming capitalist society into another one for human welfare and emancipation.

A small map of the struggle for change.

Among the people unhappy about the development of capitalist societies, two different lines may be identified conceptually, even if their differentiation is much more difficult in daily practice: Those that fight to avoid the worst consequences of these societies, some of them because they believe that these societies would not be that wrong only if their worst features could be avoided, others because they consider that although they would like to arrive to an alternative society, it is so far away that better to improve this one than struggle for a fancy dream (chimera). On the other side, there are those that consider that capitalism cannot improve structurally and that the struggle must be in order to transform this society in an alternative one. It might be that an alternative society is far away but it is no obstacle to fight for it.

Very often in the daily efforts for change both groups work together, many of the tasks of our work are similar: When manifesting against war, trying to defend the public services of the welfare state, in the struggle for better wages and working conditions, for sustainability, gender equality, against poverty, trying to advance in justice and equality at home and in the world, and so on and so forth. In many aspects we march together. Are we only maintaining the present capitalist system or also it serves to understand the contradictions of this society and reinforce the willingness to construct a different one? I would not dare to judge. Many people that would like to transform society into a different one is working in possibilistic tasks hoping they can lead to transformation. On the other hand there is, in my view the very big danger of devoting our efforts to causes that tend to be purely safety nets, that consolidate this society and legitimate very unfair situations. Microcredits may be a very good example (and many

other NGOs). It seems, and it is true that the position of the people that is granted a microcredit is likely to improve, but on the other hand it is often at the price of an enormous personal effort and becoming small entrepreneurs the more and more integrated into the net of capitalism. They may become very dangerous initiatives, legitimating the capitalist societies we live in.

Is it possible a combination of efforts between those in the short term, trying to enhance policies to improve the immediate wellbeing of the population and those in the medium and longer term trying to construct an alternative society?

It may seem to work together since we cannot wait for 'the future' to have a better world, but on the other I am afraid that even that requires so many energies that often we get lost in the way and forget about the effort towards utopia.

We may march together part of the way, but the final objectives are not the same, and some activities may even be contradictory. Even methods of work may differ. We need to work together whenever it is convenient to do so, we have to learn to combine our efforts in the diversity of identities and objectives, but also it is imperative to recognise we have different aims and to know that in some issues differentiation is necessary and that it might even be conflicts. There are also very different positions of both currents.

It is in this feeling of respect of the identity of others and cooperation that I would like to continue my talk. Far from any antagonistic idea. Simply to affirm the need to know the map and know by which ways we can go together and in which we have to depart. Since I work in Economics I will centre myself mainly in economic issues, but as I consider that the issue is much broader I hope you will allow me some excursions into alien fields. I shall refer mainly to Keynesianism. As other persons have already talked about its possibilities I shall dwell more into its ambiguities and limitations as an strategy enhanced by a true emancipatory left for the transformation of this society in another alternative one.

Some questions about keynesianism

Is Keynesianism possible? , and still more important, is Keynesianism suitable? Let me revise very briefly both aspects.

Is Keynesianism possible?

Keynesianism seems a very difficult policy to implement in the era of global competitiveness.

- total internationalisation of the world economy makes almost impossible Keynesianism at a national level. In the global competitiveness era, competition of products from countries with much cheaper production possibilities, enormous movements of productive and financial capital, intensification of the delocalisation of enterprises, and so on and so forth has led to a world where everybody competes with everybody else⁵. It is not possible to have any hope of improvement for mankind if the only way to organize the production of wealth is competing very aggressively to obtain benefits for big enterprises operating themselves the world over, producing ever cheaper goods. In the rich countries it is stated that better or even present economic and social conditions cannot be maintained due to competition from countries with

⁵ Often it is not so much actual competition but the probability of that competition and the fear to it has been cleverly utilised by economic agents to impose the idea that global competitiveness exists and causes these effects.

less cost productive conditions, in the poor countries it is considered that no better conditions may be allowed because they would lose their competitiveness⁶. It is the race to the bottom.

- it may be argued that Keynesianism could be sustainable in greater regions, as the European Union. In principle, it appears it should be easier to implement Keynesian policies at this level, but still the idea and the fact of global competitiveness is very powerful.

Precisely the case of the European Union illustrates well, in my view, the opposite situation: since the main aim of European policy is to be competitive especially with the USA but also with other emerging countries, and the EU is trying to follow the USA path as regards its policies. The main economic agents of the world have imposed and are imposing through the EU policy makers a powerful economic policy that has led to increased profits and at the same time stagnation to the most important countries of the whole region. Not only there is no an European social Policy, but the social policy of the European countries is being strongly weakened, and when the need for a new policy is acutely felt there is only a return to still tougher old policies (smaller budget, Bolkestein directive...).

- there are no great differences among big areas in technology at enterprise and plant level for many products. Technology travels cheaply and quickly now. When and how will the countries of the UE be able 'to compete' with the very low Chinese wages - does global competitiveness mean that we all will have to work for Chinese wages? - or even among themselves with the lower wages and working conditions of our new EU members? Moreover, the poorer countries of the Union can only be competitive with very low wages, poor working conditions and very weak welfare services. How the productive systems of the other members will be able to compete with them? Although central countries maintain the monopoly of advanced technologies, productive systems of transnational enterprises compete at about the same technological level, even among different plants of themselves, therefore technological differences may not sustain as they did in the past differences and wages and social conditions allowing for Keynesianism at the centre. Moreover, some emerging countries like South Korea, China and India are becoming significant producers of advanced technology. Therefore, advanced technology, where so many hopes seem to be placed, is the less and less able to maintain the population of the advanced countries fully working with decent wages.

The trend to global competitiveness with small differences in productive technological levels and enormous differences in social and environmental conditions makes extremely difficult to envisage a passage from present policies to Keynesian ones, even at European level. Obviously much more at world level.

All around wages and working conditions are the more and more precarious and the welfare state is deteriorating rapidly in order 'to be able to compete'. Do we need to argue more here for the impossibility of 'globalisation with a human face'?

At the same time, on the political side, all throughout the world the traditional political structures are in disarray. Rather, progressive parties and trade unions are in disarray (conservative structures maintain themselves much better) and the new emerging social movements seem more preoccupied by other problems and different ways of acting socially (I shall come back to that later). The lack of interest in the last year European Parliamentary elections was a first and clear sign that people do not feel there is any power nor hope in that institution. As for the referenda, they were a very serious sign of the enormous limitations that

⁶ It is well known competition does not take place between countries but between enterprises, but the argument applies equally.

present day 'representative democracy' implies, the extreme weakness of mediations between the people and the leaders. On the one side we find the governments and all types of decision makers and leaders (political, social and economic) of the European countries in favour of the present EU and, on the other, the populations that are increasingly showing their profound discontent. And this in spite of the enormous pressures that the former are exerting upon the later. Without exception, economic, social and political leaders approved the Constitutional project and persistently urged for its popular approval. No Parliament so far has rejected the Constitution. And in many countries precisely it has been approved by Parliament because no affirmative vote was expected in case of a referendum. Moreover, most parties and unions, even the progressive ones, have assumed the globalised view of the world and of the need for global competition and are trying hard to manage the economy along those lines.

The divorce between the populations and the political 'class' (political and social leaders) is totally evident: the feeling of lack of power, of impotence, of the impossibility of having any say in the social decisions. Both at national and the Union level⁷. The impression that globalisation impedes any decisions that are not dictated by the 'economic facts of world competition'. The feeling that a very privileged and powerful (global) class of people takes all the decisions and is reaping all the benefits of the modern world while ordinary people find increasingly difficult not only to make ends meet, but to understand what is happening. The sense that somewhere, away, the relevant decisions are taken and the popular classes are being cheated. 'Democracy', democratic procedures and 'justice' mean nothing and there is no hope of any influence or incidence through the institutional channels. At most, the material standard of living of every person may be defended if he/she is able to integrate successfully in the 'modern' groups and faithfully follow the established patterns of conformism and consumerism.

The crisis has to do with the absolute mistrust and utter deception with the seemingly 'democratic game'. People do not believe in official politics, right and left equally, any more. Nor at EU level nor at any other. And it is very significant that among this refused leadership are the trade unions that in their majority in the different countries and in its 'European' body (CES) were urging for an affirmative answer to the referenda and many other issues people dislike. To me the disparities of judgement that these events have shown are perhaps more relevant than mere economic worries. Will progressive forces be able to rally enough support to establish governments capable to impose their Keynesian policies? It seems the possibilities of advancing towards the implementation of Keynesian policies are rather poor, to say the least.

Is Keynesianism suitable?

Still more important it is if Keynesianism should be the objective of the emancipatory left. We need to review our objectives: is our aim, in the best circumstances, something like Sweden and Norway? Do we aspire for societies where income is distributed in such a way that people can pursue their individual objectives and try to be happy? Are we 'all social-democrats' now?

I have already said that from the present situation that would be a great improvement, especially for the less able and poorer people. I do not want to disregard the benefits that an active and successful social-democracy may imply, but if we really long for 'other societies'

⁷ It has repeatedly been said that the Union has been the scapegoat of the failures of the national governments. For instance Alain Tourain in a Spanish paper said: 'What it has been really condemned is the impotence of the socialdemocratic parties. The French NO means that the voters in this country do not believe in the possibility of redressing from the inside the cost of the European construction'. (Pais, 12/5/05, my translation)

where the capacity to produce wealth and income is subordinated to the capacity of the people to be the masters of their own society and able to build their own collective and individual welfare and share in the efforts of people in other parts of the world to do the same, then we need something more than Keynesianism⁸.

Otherwise it means that we too have taken the road of so many of our friends in the past that are convinced (and I think they are genuinely convinced) that there is no other way but capitalism and therefore we have to direct all our efforts to build up 'capitalism with a human face'. It is a different option and as all ideological democratic options they deserve respect. But I still wish to keep alive my dreams about another type of society, a class-less society (a society without classes).

Is a non capitalist society feasible?

I wish to think it may be. Because, on the one hand, the contradictions of capitalism are growing, and no social form of organisation may last for ever (even if I accept that it may take still a long time to disintegrate), but, what is in my view more important, increasing groups of people (am I being too optimistic?) are not happy with this type of society and long for other developments: they are against poverty, equally at home and at the other end of the world, for equality and justice, enjoyment of work, free time to live, they wish to take part in social decisions, to maintain the basic social rights, improve the social services for all, and the environment for future generations, they prefer tolerance to enforcement, they believe life should be enjoyed by all... Different aims are looked for: a good life for us is the objective, but also that this 'us' encompasses most of humanity.

The emerging social movements wish a different society not so related to the values at the basis of Keynesianism. In spite that they are weak and poorly coordinated at present I believe they represent the seeds of the new approaches and future struggles for a new society. For instance:

Many social movements are not interested in growth, on the contrary, they see it as spoliator of nature.

They are not interested in work and employment. Although they recognise the need to work to survive, they do not see that it enriches people but that it alienates them. They pretend to work the minimum possible except in the few cases in which people enjoy their job. The more and more they like to distinguish between employment and human activity (even economic activity)

They are fighting compulsive consumption and aim for a simpler life.

They are against individualism and value solidarity, justice, friendship, love...

They find poverty intolerable, both at home and in the whole world, and so on and so forth

I think they consider that the elements for a basic material life are easy to obtain and are due to all people (especially in rich countries) but that this is hardly enough and that the elements and values that are worth to struggle for, go precisely in the opposite direction

The more and more people, even if it is still a very small minority, are prepared to fight for a different world, but not many people seem to be prepared to be active for the traditional issues. Membership in traditional parties and unions is shrinking enormously, fewer people vote in the elections, nobody but a small range of professionals (and those like us that refuse to give up our hopes) are interested in politics and traditional political activities. Would not it be better to

⁸ We should not forget that Keynes' aim was to save capitalism from its problems.

face fully the wishes and dreams of the best youth, integrate ours with theirs and work closely together looking for another life and society? If Keynesianism is very unlikely that will be implemented, and far from being our final aim, why take that roundabout in order to advance towards a different society? Would not it be more useful to try to develop a genuine program for transformation for emancipation?

We need to work for a different society. Our countries are rich enough to afford it. We can and we have to build another genuinely different –communist?- society. I wonder if we are not again in a period in which the struggle is not so much economic, not even social, but a struggle for ideas, a struggle for politics more than for economic policies. The old fighters of the past although working for a better life for all were not so worried about economic policies, but about transforming their societies. And politics seem a better tool towards transformation: –the EU will not change because our very sound arguments for changes in economic policy but by things as the referenda and the clear disaffection of the population.

Otherwise we may be approaching what I call ‘the Lula syndrome’: high hopes were placed on him and his government, but their efforts to be credible by the ‘authorities, the world establishment’, to be pragmatic, to make proposals that might be considered by the economic and international powers, plus the corruption he has not been able to avoid (this has been the most publicised single item, but I do not think it is the most important), have led to the most profound failure in his policies and his credibility. And especially on the credibility and possibilities of what is considered ‘left’ in Brasil and all Latinamerica. It is a heavy responsibility. We have, humbly and scarily, but firmly and without fear, to explore new ideas for the EU.

What may we do?

It is not a question of modifying policies only. I have the feeling we have to start anew. I even doubt that the issues are mainly economic (even if economic consequences of the policies of the last twenty year are at the basis of the inconformity with the Union). To respond to the present needs of the EU people, we have to go much deeper, we need to consider the question of the model of society we propose for the EU, in its economic aspects, but also if necessary about political representation and even democracy. We need to be bolder in our proposals, or rather I would say, more truly radical.

Make clear and stress that our aim is to transform the present society into another with different aims, instruments, values. I would say we have to work for socialism, if it were not because most groups of young people do not recognise in ‘socialism’ the society they aim at. We know this implies a long process but we need to advance at it without been much diverted in our aims for the need to rationalise and improve the society in which we live at.

Obviously, I do not have such a model to propose. I can only propose questions. But I dare to propose quite a number of questions around which we might start our rethinking. Please take them as very, very tentative, as open questions with a big question mark almost after each paragraph:

- *We need to become thoroughly convinced that there is no hope in the realm of global competitiveness.* The present world economic structure and global flows, with more intelligent policies will not improve the sort of humanity or for that matter develop or even maintain the EU economies and societies. I have explained above that keynesianism hardly seems possible and I shall not elaborate that point further. Up to now, it seemed rather clear that globalisation

could not produce true development for the countries of the periphery, at present the shortcomings of globalisation are becoming clear even for rich regions as the EU and USA⁹. Perhaps it is only fair that we start to feel the true results of a model that has been benefiting many of us up to the present (or that it is still benefiting most of us). Globalisation does not seem to be a policy conducive to development for the benefit of the populations, but only for the great world enterprises¹⁰.

- We need to stress very firmly that *the main objective of the economy should be not only to obtain the maximum material wellbeing for the population but also that the population has to be the master of their own sort*. Not only we cannot accept the fiction that models based on private benefit will spread welfare to all the population, but also we need to assert that the welfare of the population, as the cornerstone around which all economic life has to turn, will only be possible and truthful if it is the result of the participation in the decisions of the population itself. It is not only economic wellbeing but sharing in the economic, social and political decisions what has to be the aim of a different society.

- This transformation is a medium and long term task. *It implies a social process of a democratic nature* by which the majority of the population has to become involved in it. It cannot be a question of the well being of inspired leaders, still less of impositions of any type. From the bottom upwards, society has to go assuming new values, new attitudes and transformed ways of doing things. In no other way a new society will be permanently established. An enlightened group in power will never transform society (Nicaragua). As Samir Amin says, socialism will be democratic or it will not be.

- The question of *the articulation of the political and social macroinstitutions with the initiatives and decisions from the bottom is of the utmost importance*. Granted that we take the participation of the population in the collective decisions as one of the most important features of an alternative society we need to revise the meaning of the whole institutional political setting. On the one side the population has to be the master of decisions, and it seems it requires to decentralise significant decisions at the lowest level, on the other side, we cannot, and I think we should not, reject the need for overall decisions to be taken (often even conflicting). Governments, parliaments and other institutions under the clear leadership of the population have to combine and cooperate in the same direction. The institutional setting

⁹ Is the North American model so successful? How long is the US economy going to support its twin deficits without problems? How successful is it for the workers and the people employed with low wages and temporal jobs? The big proportion of the population without social services? The developments in New Orleans have clearly shown the enormous inequalities of the United States society and how vulnerable and destitute, even against natural disasters, is a country where the market reigns supreme and public intervention is rejected.

¹⁰ I come from a country that developed following opening of borders with cheaper wages, no unions and very weak, if any, welfare state, conditions which attracted foreign capital (transnational enterprises); but there was also heavy state involvement in industrial development, control of external relations, tourism and a lot of money coming from migrant Spanish workers; while the technological gap between Germany and Spain permitted to maintain high wages in the former while manufacturing developed at home. It is the model that seems to me, most Eastern countries would like to follow. But, can these conditions be repeated at present without very gravely affecting the conditions of the populations of some countries, and not improving those of the new members since the maintenance of these poor conditions are the ones that attract foreign capital? I very much doubt they will have the sufficient strength to produce development in the Eastern countries, more yet taking into account they will have to confront also Asian competition. We should not forget, also, that in many of those new member countries, many enterprises from rich countries 'compete' with their own 'home' production on the bases of low wages, taxes and favourable other conditions, which mean they will only be there while the differentials are maintained. They may disappear quickly if conditions change (many enterprises that came to Spain during the sixties and seventies are gone long ago).

should aim to enhance the full participation of the population in social affairs. Having a 'progressive government' is far from enough, but at the same time it is necessary. If the present divorce between the political classes and the population is not overcome, but seriously, not in the sense of legitimising 'better' the traditional role of governments, the process for a social transformation might not even start. (danger of Chaves) . And this might well require to find new ways of re-organising democracy.

Such a model does not imply the rejection of private initiative, capital and enterprises. Nobody in our days can think that state run models (like in the URSS) are a desiderata. New formula has to be found in order to make possible a social planning of the main lines of the economy and to leave a large part of economic decisions at the hands of private initiative. In the framework of a dynamic and tight socially planned economy there should be no reason why the private initiative should not have a significant role. 'The new development model requires a rebalancing in the relationships between markets and political intervention clearly in favour of the latter'¹¹. Renewed forms of collective undertakings (like cooperatives, worker-run factories, social initiatives of production) not led only by the objective of profit should be encouraged, developed and should play an important part in the production sphere, but even private capitalist enterprises could play a significant role in some sectors. I have the impression that private capitals are often prepared to accept some social rules if they are well known, stable and they have no hope of being able to reverse them (in fact private capital is rushing into China and even into Cuba as they went in the past to the Eastern state run economies). Nevertheless, at the same time there is no doubt that private capital could not proceed as they are doing now as the owners of total power- very likely they will not go on obtaining the highest benefits ever as they are doing now- , and that the relation between the private and the social will have to change very significantly and that resistance to such a model will be strong and very powerful.

- If we cannot expect an emancipatory society from global competitiveness the first issue that comes to the fore is *the question of the external economic relations among countries*. We cannot avoid this issue and we should have the courage to confront it. If global competitiveness as the key form of material organisation has to be rejected *we are compelled to face the question of 'protectionism'* (call it as you wish, strategic commerce, regulated external relations, voluntary arrangements or whatever) . Are we prepared to think and argue that economies have to be controlled from inside and subordinate external relations to internal objectives and not the other way round? I would call this type of approach 'self-centred models'

It seems so unrealistic under present conditions that I hesitated before putting it into paper¹². Even all of us, trying to work for the development of a better world, find it extremely hard to

¹¹ Huffschmid J. Op.cit. 21

¹² I find so hard to argue for reversal of the trends of the world economy that I looked around for support. And in some way – of course all differences in person and in circumstances acknowledged- I found two points where I could find support : one of them is the world in the first third of the XX century. It seems to me that at the beginning of the century some sort of globalisation was already operating – D.Gordon and others in fact argued that globalisation was not greater in the eighties than at the beginning of the XX century- but Keynes was ready to write for a very different world where national governments had a very strong role to play. It is true that a very big crises came up in between, but the world *had changed*. A terrible war strengthened that trend (I hope I do not need to clarify that I do not wish a change of model at that price). We should not need such terrible phenomena to happen in order to change the model. A second help comes from the post-keynesian school (perhaps they will be strongly against my interpretation). In my view, although I have not found in them a precise position about globalisation, their policy recommendations cannot be realised in an open, global world. They need strong public intervention. There is also Maurice Allais that wrote in favour of protectionism ... and was discredited for it.

think that the trends of the present world economy can be reversed and because of it, we often try to find out ways to improve the situation taking the present framework as given. But there is no hope in this line. Not even of maintaining the situation we already have. Some countries might. Rich, small and high technology countries like Sweden, Denmark, Finland, the Netherlands and Belgium and even Ireland, but not the EU as a whole. The big and rich countries as Germany, France and Italy (I have to confess I do not understand the UK development), the medium countries as Spain and Poland will not be able to maintain their populations in good conditions, the smaller countries of the South and the East will find very difficult to advance.

The regulation of external relations is a must. Have we given up the idea of socially regulating external relations? Do we need to abandon it¹³? Shall we be unable to build up a decent argument in favour of modern and efficient regulations of external relations? Obviously that requires in turn we analyse the concept of 'efficiency'. So far only unfettered markets are recognised to be efficient, but first, do such markets exist at all? And, second, if we include social costs and benefits into the picture the efficient result may change very substantially. Are global markets which are producing unemployment, hunger, uncertainty, poverty and fear all around the world, 'efficient'? It seems a strange meaning for words.

Let me add immediately that when I refer to internally based models I am not referring to closed economies. So far I am only arguing in favour of economies that put the internal elements before the external, basing growth in internal factors and in the wellbeing of the population instead of relying on global competitiveness based on profits. In fact it accounts mainly to regulate internally the economies subordinating the external relations according to a socially planned model. After all is not such a great change: most great economies regulate their external trade -USA, Japan, the EU, and many other big countries like Germany or France- even if they are still vulnerable to the threats and dangers that uncontrolled international relations imply, because they do it ashamedly while they officially maintain the advantages of free trade¹⁴. The point is that international relations have to be bridled is there is going to be any hope of organising the economy based on other premises.

- *Such a self-centred model has to be a socially planned model* (which obviously does not mean a URSS planning model). I believe there is no other way but to propose a planned mixed economy (or a programmed economy is that is more fashionable or politically correct) with strong participation of the social forces. An economy regulated in its great lines by social institutions, where political decisions are articulated with those coming from private interests in such a way that recognising the priority of the common objective, it is possible to achieve them as well as adequate levels of satisfaction of the particular interests that take part in social life. Where social initiatives not directed to profit are enhanced and given a paramount role, but where private interests may also develop to some levels. It is necessary an efficient interaction between plan and markets where the former fulfils the function of giving coherence and efficiency to the great social decisions, while the latter constitutes the instrument of expression of individual preferences. Obviously I am still thinking in a capitalist framework,

Therefore I felt somewhat comforted from those points, besides, of course the marxist and traditional social democratic views about planning of the economies.

¹³ The reaction of our professional world to the idea of coming back to protectionism is also hard to bear: it implies immediately for its proposer the idea of professional incompetence, of maintaining old fashioned, very obsolete ideas, of putting politics above good professional principles and so on and so forth...

¹⁴ In this context I cannot refrain from mentioning the very refreshing book, by Ha-Joon Chang, 2002, 'Retiring the ladder' Wimbledon Publishing Company Ltd.

even if heavily modified with regard to the present one and hoping that this model will eventually facilitate the advance towards socialism.

- *This model would place employment and therefore productive activities¹⁵ at the centre of the stage.* Socially, the workers, non capital owners, need employment to obtain the necessary income, economically a self-centred economy needs internal demand to maintain its activity and growth. Wages have to be interpreted as the basis of demand and not merely as costs and therefore adequate wages have to be provided for personal life for the population and to generate the necessary demand for the economy. Why cannot the economies be planned on the basis of the adequate jobs and wages they need to provide for its population? Employment should not be the secondary outcome of global competitiveness but one of the main instruments (not an objective) of the economic organisation.

- On this basis economic activities would be planned as well. It would be necessary *to strengthen, expand and articulate the productive structure* combining, in the framework of the plan, the great enterprises and their networks with the enhancing of enterprises and services of a more national, regional and local character. As well as it has just been said, enterprises with renewed forms of social ownership and management where other objectives will dominate the search for profit Plus the necessary public initiative if the former would not create the necessary jobs. Since the productive structure, constitutes the central nucleus of economic life, it has to be carefully considered and planned as well as research activities and professional education. Full employment and internal demand will have to be the axes of the new model, together with the cohesion and expansion of the productive system. The attention to the structural aspects should be more important than to short term macroeconomic variables Is it such a terrible task when we see how many other things may be tightly planned?

- A word about *social initiatives of production*. There exists a long experience of initiatives as cooperatives trying to ameliorate the social conditions of capitalism. Very often they have been unsuccessful for many different reasons. And there is the tendency to consider even among progressive people that there is no hope that they may work efficiently. I myself am not too enthusiastic about neither the economic not even social efficiency of cooperatives or other like initiatives at present. Therefore I am not arguing to come back to these structures. But for the need of new and imaginative systems of production that are not led only for the profit motive but integrated in a much broader network of a different and planned system of production. Cooperatives and other experiences in an powerful and aggressive capitalist structure cannot but act in their framework and become cuasi or totally capitalist structures. However, although failures are abundant, there are also many initiatives that provide ground for hope and for thinking that in a different political and social framework non only profit initiatives may constitute good structures of production.

- In the EU context *the regional dimension of the productive structure becomes also a key element* if inequalities within the Union are not to be increased. Structural policies have to be oriented towards the generation of a process of equalisation of the standards of living in all the regions if the EU is going to make sense. A combination of plans and public initiatives with countervailing incentives and disincentives should be designed to avoid the increasing concentration of productive activities in a few specific areas and to stimulate its spreading among the different countries of the Union. The problem of delocalisation of firms has also to be faced, both external and among the countries of the Union. Joint planning and coordination

¹⁵ The old distinction between agriculture, industry and services is obsolete to be of any use. Therefore I prefer the expression productive structure or productive activities to embody jointly all of them.

of structural policies may increase very much the chances of the success of structural policies. Here we find a very interesting and difficult field: How to improve the productive capacity of every country and of the Union as a whole while at the same time relatively balancing the productive activities among the different territories. It seems a very challenging task both from the theoretical and empirical point of view.

- *Productive expansion should be qualified* though. Because of sustainability no unlimited expansion of productive activities should be foreseen. More unqualified private consumption should not be the aim of the alternative model. Greater provision of social services, expansion of collective goods and services, some types of infrastructure –rail against roads, sustainable energies- and other productive activities precisely devoted to diminish the negative consequences of modern production techniques provide with ample scope for increasing economic activity improving at the same time sustainability. The increased internal demand necessary to balance a different system of external relations has to come from this type of activities and the corresponding demand. Also, the reduction in labour time should be an important axis of any new system. Increases in productivity and wealth should not necessarily lead to more material goods but to more possibilities to enjoy non-working time. Overall, a different structure of production-consumption (working- time, composition of goods, and so on) is required for sustainability and personal and collective wellbeing. .

-This *different consumption model* would rely on and at the same time improve the provisions of the welfare state. Many jobs of good qualifications – many of them usually exerted by women- could be created improving the social services- health, education, assistance for old people, people in difficulties or youngsters- but also others in the realm of culture, free time, travel and many other activities that would not necessarily have to be publicly provided for. There is ample scope for new activities to improve the quality of life of people instead of always thinking in terms of the quantity of goods.

- Such a system would greatly improve *the distribution of income*, another key issue for society. At present the idea of global competitiveness based on the diminishing of labour costs is leading to greater inequality and unfairness of the distribution of income. Employment with decent wages, plus many new types of jobs for social consumption, would greatly improve on the present situation. Moreover, redistribution of income may use non individual procedures. Macroeconomic (post-keynesian?) policies, especially fiscal policy but also income policy are here highly significant. Also, expanding and improving the provision of welfare services. In this context I think the consideration of the provision of a Basic Income for all is a very important instrument, that could combine increased labour mobility with the security for all the population about the disposal of the necessary income for life.

Many other issues crop up that I shall not deal with here, since my purpose is not so much to design an alternative model – in any case an impossible task- but to point put out the need for it and some hypothetical main lines by which we can start thinking and developing it.

It seems to me that *the EU is a good environment to try such a model*. It is a powerful agent, its external trade outside the region is not high (about 10% if all intra Union trade is excepted), the region does not need to rely on external capitals for investment, it has a very thick productive structure, enjoys a high level of autonomous technology, presents strong internal demand and it could maintain the necessary level of exports to cover the needs of the new model. It is still one of the richer, more productive and higher demand areas of the world. Those elements seem enough to sustain a dynamic economy. And they are also attractive enough for business to remain in it under the new conditions.

Nevertheless the European dimension presents with another tricky element: Should we aim to regulate and plan the EU or do we need to think at country level? After all a large percentage of EU countries 'external relations' occur among themselves. This is a very hard point to deal with. On the one hand it seems the whole purpose of establishing the EU has been to build up a common market, therefore is it quite hard to envisage regulated external flows for the different countries; but if this is not considered, will not greater inequality develop? In spite of all the problems Germany has at present, is it possible to maintain weaker economies as Spain or Poland totally open to German competition and German capitals, or, the other way round, German and Dutch workers submitted to the competition of the cheaper Portuguese, Hungarian or Rumanian (soon) workers? The only way out of this hard dilemma seems to require social Community planning, where each country could present its plan and a Community Authority (the Commission?) articulate all plans in order to produce a joint map for development. Call it coordination if you prefer. In fact, the EU is now operating under this type of mixed system: The European Central Bank and the Commission as powerful central decision makers, and subsidiarity, open method of coordination and national responsibilities for many other issues. The main difference seems to be that that system puts the 'market'/private interests as the main driving force, while in the alternative model the overall economic life of the community would be socially planned.

Concluding remarks

Social planning will have to find new ways to organise a more efficient system of social decision and control of public life. How may the plans be led and managed in order to allow for great citizens participation who will not only pay lip services to the involvement of the population? That requires a much greater enhanced democracy and participation of the people if an enormous bureaucratic system has to be avoided. How to take the great collective decisions at coordinated or central level together with decentralisation of the planning procedure and implementation of policies is an enormous challenge we have to find ways to achieve.

But it is not only decentralisation what is needed but a real and strong effort of wide scope. From the top to stimulate the participation of the people in public affairs, from the bottom to demand it firmly and be prepared to work for it and in it. When people realise that their participation is relevant and important for decisions they are more prepared to go to great lengths for it (participation at the French referendum shows it). The problem is that our obsolete, discredited and often corrupted political and social institutions try to convince people to make semblance of participation without any prospects of real empowerment. Then people show their wisdom and refuse to play that game (as it has been clearly shown in the elections for the European Parliament). Although it is not directly related to our professional endeavour I think we also have to urge for a great transformation of the system of political representation.

Obviously *such a model requires a very active role for the public sector* with heavy public involvement at country and Union level, closely articulated with citizens initiatives from the bottom. And the control of public life. In economic terms, it implies an enhanced capacity for public finance. Which of course presents the very serious problem of the finances of the EU, and the need to increase substantially the EU budget. In regard to the member states, I do not think that for the old UE members the balance between public/private expenditure needs to be greatly changed or increased (although some countries may need to increase or restructure their taxation), but it may be different in the new members. In any case, serious coordination and

harmonisation of fiscal systems should become one of the key elements to avoid dumping between countries.

Are these proposals utterly unrealistic? Yes, with the present social forces, no if changes are envisaged. We have often said that the proposals need to be viable to be valid, obviously, but also that viability is not an element fixed for ever, but depends on the social forces. That an alternative model is much more a political problem than an economic one and that it will only be possible if there exist social and political forces to support that program: 'such a change of the economic and social development model is not an academic exercise. It is a matter of deep political reforms which will only take place as a result of strong social movements against the current policy pattern'¹⁶.

In this respect there exists now a very interesting situation where new political forms are trying to develop, to build up a social and political identity and although for the time being they are rather (or very) reluctant to organise formally and share the job with traditional forms of political organisation I guess, and I ardently hope, they will finally find their way and become the beginning of new forms of social and political representation. All over the world and also in the EU in the last few years interesting initiatives and groups are emerging which eventually may become the knack of a new form of doing politics. I think we have to work closely with them, even become part of them, take part in their work. This type of intercourse may make our endeavour more realistic and efficient.

So far for a few hints of the sort of things we need to explore. As you may have observed there are no ready made formula or solutions for the alternatives, but just a few ideas about the sort of things I think we should be working at. I feel we need to explore and orient our work in the direction of constructing overall alternative development lines of action in order to provide political and social movements with a general frame and materials for them to build up their own proposals and debates. I think we have ample scope to deepen and improve in our previous work. I hope we are willing and able to do so.

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¹⁶ Huffschnid J., op.cit. p.22