

The Beat of Visions

The challenging features of a new global mode of production

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Abstract

This paper explores how the visions of a future global political economy might shape its actual emergence. The emergence of powerful visions themselves seems to follow a pattern of discrete steps in historical time; it follows a beat of emancipation. In Europe the fundamental note was provided by the vision of enlightenment after the Dark Ages, which were kept in an ideological stalemate by religions. The beat of Luther's early protestant secularization, Smith's paleo-liberalism, Marx' communism, micro-theological marginalism (Walras, Menger, Jevons), and Keynes' collection of singular outposts of a more global design – this succession of forceful visions enabled and accompanied the explosion of population, output, and thus of possible visions of the last 60 years.

Indeed the most terrible drawback of the 20th century, Hitler's 3rd Reich, was explicitly based on a vision too: It envisaged 1000 years of dominance of the Arian race. But Hitler failed, and a new step of emancipative evolution could start to unfold. After the bi-polar visions of the bi-polar US-SU world collapsed in 1990, the last 20 years were characterized by an accelerating divergence of contradictions between visions and realities they address. The dominating vision - a footloose, privately accumulating (i.e. capitalist) entity growing in a crudely specified market environment – rather produced less social glue, less integration. And that contradicted the enormously refined, increasing interdependence of socio-economic relations within and across all social strata.

The current crisis indicates that the next discrete step towards a common consciousness, anticipated by common visions, knocks at the door. The paper highlights features of this next beat of visions, which are already visible. To name a few examples:

- Take the essential features of large scale financial institutions back into the realm of democratically legitimized politics.
- Design the proper places for well-specified (different) market-mechanism to do their job as scarcity indicating devices rather than to be misused as dubious element of an even more dubious religion.
- Invent and implement advanced bureaucracy control mechanisms that meet the challenges of global administration.

In the conclusion the dangers of constructing such a large ship at sea are discussed. The threat of fascist visions conquering considerable parts of populations is eminent – in a sense the forces of WW2 have not disappeared yet. So while the positive and creative side of vision building has to be expanded, the same intellectual project also has to defend what historically has already been achieved – to avoid the barbarism of 'tabula rasa', fascist visions.

Introduction

This paper proceeds in two steps. In part 1 the evolution of visions of society in the history of humanity is briefly surveyed, part 2 then provides a sketch of a vision, which could lead social evolution of Europe into the future. This evidently is a program much too demanding for a short research paper. It has nevertheless been given a try because the need to synthesize the different aspects touched upon is far stronger than any aspiration to analyze a singular aspect in depth. As a consequence of this methodological imperative many issues will raise more questions than they can currently answer, and numerous critique of the preliminary suggestions made will certainly stimulate further research. As a side issue this method consciously challenges the social status of theoretical contributions: Further detailed analysis of a very specific singular issue often looks more scientific than work which addresses a question needing a mix of different disciplines to be approached at all. In particular a highly formal treatment of a highly specialized singular problem usually earns a scientist highest reputation, while modest approaches to a subject of investigation, which by its very nature overarches several disciplines using different forms of formalization, are sometimes criticized as being immature. The opposite is true: Research has to follow its object of investigation and has to adapt its toolset of methods accordingly, and not vice versa.

The global economic crisis currently is the most severe problem mankind is confronted with; it encompasses the most difficulties of most individuals – to paraphrase Bentham. To investigate such a complicated phenomenon in principle two routes are open: A route investigating its *historical emergence* (taken in part 1 of the paper), and a route following the *logic of solving contradictions* (taken in part 2). Corresponding to these two routes are two sets of action: First understand what has happened, and then check what has to be done. The latter does not read very scientific, but it only shows that doing science is just a specialized part of work in general.

A similar point can be made about visions. The force of certain visions follows the beat of social evolution. ‘Beat’ means that social evolution is not a continuous stream of gradual change but comes with stable periods interrupted by sudden revolutions – this is what history shows. Visions thus mark a ‘punctuated equilibrium’ as some biologists would put it. Looking at the *history of visions* thus reveals ideas about their future trajectory (part 1). Concerning the *logic of the emergence of a new vision* – say the just emerging vision of Europe’s future – it is advisable to look at the most important contemporary contradictions pervading our society to derive ‘marginal improvements’ pointing at the attraction point of the vision. Again the idea of a *well understood historical path* is followed by a *logic applied to contemporary circumstances* to derive *immediately necessary actions*.

As with any other pudding, the proof of the scientific pudding will be the eating – though the hungry social entity is not entirely identified yet.

Part 1 – A synopsis of vision evolution

The defining characteristic of the human species is the particular ability to transform what is perceived into a rather complicated dynamic model of reality, which then can be used to regulate behavior. As soon as powerful and stable forms of social organization occurred, enabling the development of specialized intellectuals, an even more sophisticated form of model-building emerged: Not only an adequate mirror image simulating the essential mechanics of the respective contemporary society was the goal; these first outstanding intellectuals reached out for more. Becoming aware that present circumstances just were the intermediate result of a long-lasting evolution, they started to speculate about the state this evolution might be aiming at. Two possible toolsets could serve as guides for the construction of hypothetical models of a future society: interpretation of empirical studies of history and the interpretation of social evolution as an unfolding of some deeper logic. Most authors used elements of both toolboxes mutually supporting each other, and thus the proposed speculation. Even more remarkable is the fact that such models of an illusionary future world necessarily tended to be rather critical of the current state of affairs including current power relations. To be tolerated by the contemporary ruling class they either had to disguise their location as being reachable only after physical death of an individual, i.e. these utopias became elements of religions, or they had to be designed and described in ways not understandable for the majority of the population, i.e. remain a playground for a small group of 'scientific monks'¹. The fear of ruling elites that a vision of a better world could motivate currently exploited and suffering parts of the population to revolutionize society was – and is - very real and well-founded. Intellectual critics always anticipated this reaction and for centuries tended to hide their views in metaphors and semi-religious systems of moral and ethics².

Already in Plato's *Republic* [Plato, 2003] the dialogues between Socrates and his interlocutors address the problem of the 'perfect community' by looking at such a future desideratum from two main perspectives: (1) Perceptions, model-building, and incentives of an individual member; (2) Aggregate dynamics of a society consisting of, and in turn informing these members. Consistent formulation of information and activity feedbacks between micro- and macro-level thus clearly was on the agenda – even in times when life was based on the slavery mode of production.

When Thomas More wrote *Utopia* [More, 2003] almost 2000 years later, the style had changed somewhat, but crucial elements remained. Utopians live in a system with features highlighting the deficiencies of More's Britain around 1500. Much more explicitly than the philosopher king Plato Thomas More produced policy prescriptions when he let his

¹ Some catholic discourses on the correct dogma in the late Middle Ages as well as a considerable part contemporary mathematical economics falls under this category.

² Even in the 19th century Charles Darwin - fearing the power of the church which still represented the ideology most suitable to the stabilization of the ruling class relationships - did not dare to publish his views for many years. While Darwin himself was well aware of his prudent publication policy, most contemporary architects of BASEL 3 and of making investment bankers swearing hypocritical oaths rather act by instinct.

protagonist Raphael (who lived for many years in Utopia) describe social and political life of this lucky island. Like in Plato's tale, personal behavioral models and aggregate macro-level dynamics are tightly and consistently interwoven – but now with much more emphasis on the concise political processes. Utopia was written at a time when capitalism in the form of merchant capitalism just emerged. Feudal exploitation could be expanded by conquering unknown parts of the world – Christopher Columbus had just discovered America and Amerigo Vespucci had its prospects made evident for European intellectuals. The essence of the capital process, namely increasing global labor productivity by profit-seeking behavior of entrepreneurial units, was setting in. As political authority at the time was still feudal, the finance for establishing productivity enhancing global transport lines, for explorations, still had feudal character (Queen Isabella financing Columbus). Soldiers were a fixed component of merchants' ships. It is admirable how Thomas More, writing almost three hundred years before Adam Smith [Smith, 1776] explained the wealth of the British nation by division of labor, was able to formulate a critique of the emerging system that inspired French Utopian Socialism, and all communist visions that followed.

The three hundred years of merchant capitalism saw many visions of a better world, many of them inspired by the social forms discovered all around the world. The **concept of a harmonic 'nature' as opposed to an (at least partially) hostile, man-made world** was emerging – in a sense this can be considered as **the first beat of visions knocking gently at the doors of capitalist societies**³. But visions only were gaining social power when industrial capitalism set in, when rich merchants tried to seize political power and early proponents of the labor movement were able to formulate social visions, which to some extent served both classes. The final point of this evolution was reached with World War 1; Feudalism in the most advanced countries came to an end. The new central class division clearly set workers in opposition to capital.

The **next beat** in vision development came in the **interwar period**: The Soviet Union took up parts of earlier **communist visions** and propagated them as its political goal. Parallel to this vision the **bourgeois class was struggling for a vision** of its own. Economists like Leon Walras, Stanley Jevons, and Karl Menger had already prepared the ground for an anti-socialist turn of social theory in the late 19th century. As Marx had already correctly analyzed, 'capital' was an abstract procedure and not simply a collection of certain individuals in a society⁴. The appropriate vision for capitalism thus had to be an abstract procedure too – a difficult and historically novel task for its protagonists. The development of the market-oriented paradigm⁵ (as it is labeled today) was only accomplished in the late sixties of the last century⁶.

³ Some lesser informed parts of Green Movements still adhere to these Rousseau-style early visions.

⁴ Marx thus called his major book „Das Kapital“, and **not** „Die Kapitalisten“.

⁵ The term ‚neo-liberalism‘ is sometimes used synonymously, but it is a serious misnomer. This ideology is neither new nor liberal; the original purpose of the term was already ideological warfare.

⁶ The work of Frank Hahn and Kenneth Arrow might be taken as final note of this paradigm.

What made the development of a bourgeois vision so difficult was first its early concentration on microeconomics. To participate in the high reputation of the successes in the natural sciences (in particular physics) at the turn of the century its protagonists subscribed to a particular kind of atomism, namely to explain all social phenomena by formal aggregation of properties ascribed to a smallest unit, to a representative human individual. This seemed to be useful since it dismissed all class contradictions; all observed differences of human fates are considered as reflecting innate properties of individuals – no danger for ruling classes. But without classes the regulating authority for profit accumulation seems to be footloose. An abstract *deus ex machina* had to be invented: the choice suggested by the marginalist assumptions on the formulation of human individuals' model-building evidently was the abstract market mechanism in perfect competition. "The market" as central guiding idea was celebrated like a benevolent social subject.

But then, in 1929, a second brake on the further development of the bourgeois vision occurred – the Great Depression. Nothing in the so far developed bourgeois vision could explain such a deep and visible downturn of all economic and social processes⁷. If free markets are tending to deliver prosperity, how can they do these things to their adherents? A look back in vision evolution immediately explains the deficiency: The vision did not have a valid and consistent macroeconomic component; aggregation in social systems is qualitatively different to aggregation in the non-living world. This was the entry point for John Maynard Keynes invention of macroeconomics. As Paul Samuelson's work showed, this amendment could lead to a fragile (with respect to the empirical validity of assumptions), but consistent vision of what was called 'welfare economics'.

All along these theoretical works a further, much more severe calamity questioned the bourgeois vision: the emergence of **Fascism**. In the interwar period the vision of the market-oriented paradigm clearly was not only inadequate; it was also (and remains till today) much too difficult to understand for the majority of the population. Add to this the technological quantum jump in communication devices, namely broadcasting, and you get the special conditions producing the vision of Fascism. From a strategic perspective the choice of name of the German Fascist movement was highly effective – and revealing: 'Nationalsozialismus'. The dissipative element necessary to reach all potential members of the movement is hidden in the term socialism, so everybody can easily identify to be part of this social body. Really everybody? The concept of socialism had been put forward by some labor class theorists, who clearly saw it as related to the successful conquest of power by the labor class – thereby acting as the class driving social progress for all. Thus to eliminate and to destroy the class characteristic of the concept it was linked - and introduced only as second word – after the word 'National'. The big 'N' not only being correct German grammar, but in fact signaling the dominance of the first component. Again the choice of 'National' was ideologically very clever. It combined the possibilities to oppose the nations which as winners of WW1 seemed to exploit postwar Germany, and at the same time to exclude a

⁷ This, of course, is a situation similar to the one encountered by mainstream economics in late 2008.

seemingly biologically determined internal group of non-Germans - the Jews⁸. The general strategy behind the emergence of the fascist vision is more interesting than the specific historic events. It teaches that the direct attack on the individually used explanatory models should use simple, immediately perceivable external signs (e.g. biological traits, cultural habits, language, etc.) and link them as primitive causality to currently experienced difficulties. Such short-cut explanation transmitted repeatedly by advanced communication technology can be much more successful than any scientifically proceeding theory of political economy, be it a bourgeois vision or a communist vision. In a sense the fascist catastrophe proved that the project of the French enlightenment is still endangered⁹. A vision which at first sight looks absurd and inadequate to what actually happens in the world can become powerful when it is cleverly managed and distributed to its followers. It even might change the world towards its own predictions and thus for some time become a self-fulfilling prophecy.

But visions decoupled from the actual evolution of political economy are doomed to develop into bursting bubbles; the dream of an empire lasting 1000 years just produced a global disaster of 7 years. Though a considerable part of the bourgeois class in fascist countries, e.g. war industry leaders, participated in the fascist movement it was too short-lived and simply too uncivilized to qualify as an enduring bourgeois vision of society. Quite to the contrary, the civilized part of population, which was driven out from continental Europe by Fascism was a substantial ferment in the emergence of the 'American Dream' in the USA, the emotional cornerstone of the still missing post-war bourgeois vision.

While sharing some features - like strict military internal organization – the **Stalinist vision** running parallel to the fascist vision was proclaiming to be firmly rooted in an adequate theory of political economy, in Marx' theory. Indeed Lenin had tried to adapt some ideas of Marx and Engels to the practical political needs of the poor population in Russia, thus transforming early critical political economy fragments into the dogma of Marxism-Leninism. But anyone who ever read Marx could easily see that nowhere in his writings any vision of the concrete features of a utopian communist society can be found; Marx consciously remained in the realm of a critique of the capitalism he lived in, trying to identify transforming forces by analysis of present contradictions¹⁰. But Marx' scholarly works were only read and understood by a handful of people. So what Lenin had to add once he had seized state power in Russia was a completely new set of regulatory mechanisms. As a consequence the emerging vision had a rather pragmatic part, called socialism (being rather a regulatory framework apt to industrialize agricultural societies than a vision), and a barely specified part concerning the vision of a communist society. In the 20-ties the pragmatic part concerning economic policy in backward agricultural societies was rather successful, and

⁸ Hitler's now famous exclamation ,Wer ein Jude ist, bestimme ich!' is telling.

⁹ Compare the views of the scholars of the emigrated Frankfurt School.

¹⁰ Marx followed Hegel's method in using negation processes (but now to be identified in the material world) as the only driving forces and theoretical guidelines for social evolution. Contradictions in Czarist Russia - at the periphery of capitalism - were not too helpful for a theory of global communist revolution. But their analysis was extremely useful in informing Lenin about possible coalitions to seize power.

after Lenin's death in 1924 has been called Stalinism. It is clear that Stalin's policy measures surely do not qualify as a vision for a communist society, many traits – though not all – rather could be interpreted as preconditions for a western-style capitalist development. The improvement of production conditions took on the character of a fight, a rather boring fight, but a fight - just like the desperate fight against Hitler in WW2. And fights like these always were just for survival, the short-run goal and not the long-run goal of a communist society was the motivating center of ideology. Lenin's communist vision evaporated stepwise during the seventy years of existence of the Soviet Union, starting with the 'New Economic Policy' via the political terror of the 30-ties¹¹ to the final blow of Khrushchev's speech at the 20th party congress in 1956. From the 60-ties onwards an increasing part of the population of the Soviet Union's zone of influence was leaning towards the US-vision of an 'Age of High Mass Consumption' – a term coined by the US author W.W. Rostow¹² – and considered the official communist party doctrine as ridiculous. Even the military strength of the Soviet hemisphere could not compensate for such a tremendous loss of internal coherence by the means of a common vision. It remains to be seen how Mao Zedong's version of Marxism-Leninism - adapted to a new kind of vision by Deng Hsiao Ping in the 80-ties and currently extremely successful – will fare in the next decades. This evidently is a major determinant of current vision building to be discussed in part 2 of this paper.

Marxism-Leninism was not the only inheritor of 19th century communist visions, in Western Europe *social democracy* struggled for survival in a more and more fascist political environment. Like in the east, what can be observed was a 'poverty of theory'¹³, no adequate update of Marx' approach to political economy was emerging, which could explain the surprising rise of the fascist vision – and no theory could inform communist policy. The attempt closest to such an update came from Rudolf Hilferding, who characterized the new stage of capitalism as 'Finanzkapital' [Hilferding, 1910]. Though Hilferding had some political influence on Austrian social democracy all efforts to develop a theory-guided resistance against Fascism in the 20-ties failed, Hilferding himself was killed on his flight from Fascism in France in the 30-ties and all social democratic organizations were forbidden and destroyed already in 1934 by Austro-fascists. The leading intellectuals of social democracy in Europe either were killed or emigrated as after the Great Depression the extreme right started to take state power. Emigrants either turned to the Soviet Union, where they became prey to the 'Stalinist vision', or the turned to Britain and the USA, where they started to build a social-democratic vision of an integrated capitalism. What had to be integrated were two

¹¹ A share of 70% (98 people out of 139) of the central committee members elected at the party convention of the communist party in 1934 was killed by Stalin from 1936 onwards.

¹² Rostow's book [Rostow, 1960] was translated into more than 20 languages and saw as its main purpose the spread of the 'American Dream', a vision of global capitalism used for ideological warfare. It sketched all countries of the world as being on different stages of the same track of evolution, which necessarily will lead them to the highest possible stage, the 'Age of High Mass Consumption'. And, of course, according to Rostow the USA is the country which already has reached this optimal stage.

¹³ This is the title of E.P. Thompson's influential book trying to explain the failure of the labor movement in the 20th century [Thompson, 1978]. His debate with Louis Althusser and Perry Anderson can be seen as one of the starting points of the renaissance of a progressive vision of the New Left.

major building blocks: On the one hand the core of capitalist processes based on the exploitation of labor and nature on a global scale; on the other hand a set of institutionalized measures to tranquilize the exploited.

In any case **World War 2** marks a **sharp break in the beat of visions**. The unfortunate fate of the social-democratic inheritors of a communist vision in the interwar period led nowhere, when visions of integrated capitalism emerged after WW2 they were motivated and financed as cold war against the 'Stalinist vision'. In particular on the European peninsula of Eurasia such **a vision of an integrated capitalism** with a 'mixed economy' proved to be pivotal to organize stable, anti-soviet politics. But while the long boom of Western capitalism in the period of reconstruction after the war seemed to justify a final success of a consistent bourgeois vision accompanying it, the institutionalized regulatory measures necessary to pacify Europe's working populations produced new contradictions. The distance between the mathematical arguments of an Arrow-Hahn version of people's capitalism and what was experienced and interpretable by any non-economist had become even larger¹⁴.

In Europe a main contradiction concerned education systems¹⁵. The transformation from agrarian economies to industrial economies, which took up speed after the war had destroyed half of the European capital stock, implied that the qualification of the working force had to be raised substantially. Secondary schools and universities had to be opened for all parts of the population. But the youth entering these educational institutions could not be restricted to learn just the technical abilities to fulfill the needs of industrial production, it gained a wider horizon, developed higher aspirations¹⁶. And it saw no reason to stick to the failed visions of the generation of their parents; the generation gap behind the culture shock of 1968 was also a breakpoint of visions. Unfortunately enough, forceful visions usually do need a strong background in historical knowledge, in wisdom and in skills to design political mechanisms to get from the status quo to the desired utopia. Only then the image of this utopia will appear achievable. The youth revolt of the late sixties was not equipped with these weapons; it collapsed shortly after it had produced a worldwide emotional vogue. Nevertheless the strength of this vague type of vision appeared to be sufficient to help European social democracy to become alive again. At the time when its first mission to keep Stalinism at the doors was already accomplished – and the need for social democracy was running out of steam – the second mission of integration, namely the integration of the

¹⁴ The promoters on the side of economic theory were well aware of this development and called the period the 'Age of High Theory'. The self-referencing property of this type of theorizing - independent of any evaluation by empirical observation – was very helpful for its installation as established mainstream, at least as long as the boom prevailed and economic advice seemed to be superfluous anyway.

¹⁵ In the USA the war in Vietnam initiated the catalyst contradiction between young people drafted to military for a purpose they opposed – or simply did not see. In a similar way the youth in some eastern European satellites of the SU opposed the military hierarchies represented for them by the Red Army. So while the appearance of the youth revolt in different parts of the world had some resemblance, the roots were very different.

¹⁶ In the language of economic theory the desired utility increase was not derived from increased quantities along the same dimension of consumption, but from discovering and exploring new dimensions. This topic was not touched upon in mainstream theory, only Schumpeter, Veblen and some other mavericks of economics had written about neighboring topics.

youth movement, occurred. Till the end of the 70-ties this mission was mastered, though at the price of substantially increased government expenditure for a more developed education system, social security nets, pension systems, and the like. Most of these means to delegate open class conflicts to future generations were based on credit given on a macroeconomic scale from the owners of government bonds – a process not visible for the general public and even to most of the central agencies involved. This was not a bad deal as long as labor productivity gains were high enough to sustain sufficient interest rates for international finance and at the same time keep local exploitation systems alive. But as soon as the dangers of disintegration started to fade away, as the whole generation gap could be digested as a periodic fashion trend in music, textiles and life style, a conservative roll-back was initiated. With the fierce attacks of neo-conservative policy (Thatcher 1978, Reagan 1980, Kohl 1982) the just emerged new social democratic vision – integrated capitalism without reference to communism – lost momentum. From that point in time onwards European social democracy only was able to defend certain regulatory mechanisms, which it had installed previously, but even the fragments of a vision beyond integrating any social movement that popped up evaporated. With respect to political economy Marx was substituted by Keynes, the latter being interpreted as the prophet of the importance of state intervention - and the state apparatus was the central vehicle for integrated capitalism promoted by European social democracy. Indeed state power and even international institutions like the IMF were evidently important elements in the working of exchange rate exploitation processes of capitalism on a more global scale. Keynes had correctly anticipated the roles to be played by political actors to keep capitalism going. But as a vision to be sold to European populations this rather complicated patchwork of ideas on regulation mechanism limiting the core market mechanisms this **social-democratic vision** clearly **failed**. It was certainly harder to understand than the neo-conservative slogans.

The marketing department of neo-conservative policy-makers took the easy way out: It used the simplifying theoretical assumption of conservative model-builders – namely that there is no state, political economy is free of institutions – as a policy prescription for the real world to achieve the theoretical results of the department of welfare economics: privatize, privatize that is Moses and the prophets. If theory does not fit to the real world, then change the real world and leave the theory as it is¹⁷. Of course, the architects of this **paleo-capitalist vision** were well aware that an institutional framework providing the coercive power within which market mechanisms work has to be maintained. But they consciously decided that this part of the story should not be included in their vision; the vision should not be about the dynamics of power relations but only about the stability of equilibrating, anonymous market forces. This shrunk world model presented as vision was given the flavor of the natural state of affairs by using a mathematical apparatus of the natural sciences, namely that of

¹⁷ More down to earth this economic policy meant that as soon as conservatives came into power again those parts of social wealth, which social democratic governments had turned into public property, into state property, to pacify workers now were transferred to private owners again. This provided state revenues to assure government bond owners, and the new private owner could easily eliminate the less profitable parts of his property. A new buzz word hiding this strategy was launched: efficiency.

theoretical physics of the 19th century¹⁸. The turn that vision building thus took was really remarkable: In the ideological world it detached real world dynamics from a formal, metaphoric game played in the world of sign systems; and at the same time in the real world conservative economic policy interfered fiercely with direct policy measures to transfer income and wealth to capitalist centers. The conservative vision launched since the early eighties thus tried to implement small internal models in the cognitive apparatus of microeconomic agents, in the brains of individuals, which combined a simple supply-demand logic (of a perfect competitive market) with a religious believe in a welfare-decreasing influence of any external forces disturbing this logic. Like any other religion this dogma needed priests, who tailored the depth of internal models to the needs to immunize them against being proven wrong, from uneducated workers via small shop-owners and business school students to Nobel prize winners localized islands of knowledge with different degrees of sophistication had to be produced. As a consequence of its origin the predictive power of these localized internal models at all stages of sophistication was rather limited and had to be complemented by the religious component: Local crisis strikes like bad weather, and can only be encountered by more privatization. Enhanced information technologies and a uniformed media conglomerate evidently played an important role in implementing this vision in the industrialized world. In retrospect ***the success of the paleo-capitalist vision in the last thirty years cannot be doubted***. It has produced a European population, which to a considerable extent is basing its actions on models provided by well-organized media tycoons, being themselves *'the slaves of some defunct economist'* - as Keynes already observed in 1936: *'Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.'* [Keynes, 1936, p. 383].

When in the early 90-ties the Soviet Block collapsed and its Stalinist vision after decades of shadowy existence finally disappeared, the triumph of the paleo-capitalist vision seemed to be complete. There was nothing which the remaining rival, the social-democratic vision, was needed for to integrate it. And the remaining adherents to the latter vision, having lost the job they could do for capitalism, ran into programmatic troubles. So while their vision was withering away the winners of the day, the paleo-conservatives, believed in their own illusions and pushed for worldwide, unconstrained privatization. For them the Japanese crisis of 1999 as well as the ICT bubble of 2001 was surprising but in the end an insignificant exogenous shock caused by a singular constellation in particular markets.

When the global financial collapse of 2008 occurred it met a capitalist elite, which believed to be already living in the best of all possible worlds, living in its own vision of a natural state of affairs – eventually disturbed a bit by some 'rogue states' – but basically stable. Evidently the narrowed down view of the adepts of this vision had been unable to see the tremendous tectonic shifts and emerging contradictions in the real world economy. Starring only at the

¹⁸ In general this level of formalization still is sufficient to impress the crowd of semi-educated business men and politicians responsible for the finance of mainstream economic departments. To make a career within the academic circles of high-brow economics soon some more advanced analytical skills proved to be helpful – but of course they had to avoid empirical relevance with respect to the dynamics of social power relations.

developments at stock exchanges and seemingly important events of symbolic interaction had taken up all the attention, producing blind spots with respect to the global economy. With a sudden crash the only surviving vision, ***the paleo-conservative vision is currently breaking down***. The beat of visions takes a deep breath, a break during which the scientific community should take stock of what has been learned, and should come up with proposals for a new global vision as a focal point for the political economy of the next decades. To state the need for such a focal point is a necessary, but not a sufficient condition for progress. What really is needed is proposals how to proceed, and this leads to the second part of this paper.

Part 2 – A Vision of European Principles of Political Economy

The starting points for any scientific vision building are contemporary ***possibilities*** and ***contradictions***, and the knowledge about their emergence. The most prominent role usually is played by the contradictions; they stimulate thought and provide also the social forces of discontent parts of the population, which are necessary to make social changes happen. Technical possibilities often are more like limiting constraints though in some cases currently available technology would enable more than currently is imagined. Finally ***knowledge about history*** provides the elements from which innovative new combinations are created. Future social innovation – and this is already part of the new vision – will be a more conscious social process, and not a return to seemingly ‘natural’ circumstances¹⁹.

The most visible contradictions in the current dynamics of the world economy are the re-occurring ***liquidity crisis of large financial intermediaries***, including nation states. As argued elsewhere²⁰ this points to the need to rethink the role of money, credit, capital, and the state – sometimes in inverted sequence. Are states really only another kind of financial intermediary earning some profit from handling intergenerational money flows? Or are, quite to the contrary, large financial intermediaries political institutions to be subordinated under democratic control – with the only goal to ensure reproduction of society? This problem - as well as five other questions emerging in due course of the argument – is dealt with in what follows. The answers provide a sketch of what is proposed as European vision.

- (i) The first vision proposed is to consider ***political entities*** (states, continental units, etc.) as institutions ***guaranteeing the reproduction of society*** – not necessarily growth. This task includes the direct ***maintenance of necessary infrastructure*** (health, education, pension, transport, security, etc.) as well as the appropriate implementation of well-designed regulation mechanisms²¹ for ***primary and***

¹⁹ The concept of ‘nature’ is man-made, and thus subject to historical evolution. Using it as a long-run equilibrium point, e.g. the ‘natural rate of unemployment’, has been a traditional trick to give it a religious twist.

²⁰ See [Hanappi, 2009].

²¹ Sophisticated design certainly will have to use advanced simulation techniques currently explored under the header of ‘(heterogeneous) agent based simulation’.

secondary distribution of wealth and income. Primary distribution concerns the decision rights with respect to means of production, secondary distribution concerns income flows derived from labor inputs. With respect to **regulation mechanisms** a wide variety of mechanisms, including many types of market mechanisms, can be used²². Other mechanisms, like those keeping environmental conditions under control, will rather need direct policing based on strict laws²³. This enlarged agenda for democratically legitimized political institutions implies that democratic control itself will need to be of a much more sophisticated kind. As voting theory, more general the theory of strategic games, shows simple majority rules (however they are using weights) are not all that's in store for democracy. **Theoretical insights** of this considerably elaborated body of theory **plus an update of the ideas of important early architects of French enlightenment** – e.g. Montesquieu's ideas on the division and mutual control of institutions – will provide rules for democracy that are able to give a large community like Europe, with 500 million people, satisfactory feedback control over their living conditions.

- (ii) The **next most pressing contradiction** already started to appear as increasing European **unemployment**. The next years will teach Europeans that they haven't seen a real downturn yet. Of course, **the vision is to have full employment**. A first step in that direction would be a change in labor organization: Instead of having employees working eight hours a day plus one quarter of the workforce being unemployed – and ignoring special skills – a reduction of 25% of daily hours, i.e. six hours per day, would lead to full employment. Thomas More [More, 2003 (1516)] proposing these six hours daily work already in 1516 (!) added the time of useless priests, land owners, and other unproductive middlemen, a procedure that today would certainly drive down necessary work time to half of its current amount. The crux is that in More's vision of Utopia employment is not determined by the labor demand set by firms – and this is precisely the problem faced today²⁴. Since private firms in Europe with expectations of stagnating domestic demand will try to maintain profit rates by steadily increasing labor productivity, i.e. employ less and use rising unemployment rates to pay lower wages, their dynamics leads away from this visionary goal. Again it is the state which has to step in to a certain extent, and indeed its increased scope of tasks will need a lot more employees. Taking a closer look at Europe's production structure shows that the largest share of employment is provided by **small private firms** (SMEs), and often direct (e.g. subsidies) or indirect

²² The famous tâtonnement process used for equilibrium analysis is completely unrealistic. For insiders of mathematical economics like Akira Takayama this was always clear: 'Thus the (tâtonnement) process does not describe at all how the economy reaches an equilibrium price vector p , the very problem with which Walras was concerned.' [Takayama, 1985, p. 342]. And since transactions in the course of bargaining (Takayama's main argument) are based on internal models of agents, there is a plethora of possible dynamics – and hence of possible market mechanism designs.

²³ Currently existing practice of emission trading has a proven record of being unable to do this job. Nevertheless processes resembling market mechanisms might be components of more sophisticated designs.

²⁴ With the strong growth of labour productivity in Europe since the end of WW2 an additional force driving down the amount of necessary labour has to be considered.

(e.g. protection from international competitors) support of the state is necessary to arrive at profits remaining for the self-employed owners of these SMEs. In a sense **this part of the production structure can already be considered as part of a public employment program** – the seemingly independent small entrepreneurs are paid their marginal contribution to output by the way of an intervening political institution, if one wants to paraphrase a formulation of paleo-conservative general equilibrium theory. Included in their marginal productivity is the welfare they contribute by helping to approach full employment. And as a consequence it is again the political institution, which in the end has to check if certain production units should be closed or should be kept alive, if the residual profit for the owner (including net public contributions) is indeed close to the overall marginal productivity provided. The freedom of SMEs to choose prices according to demand signals in this context appears to be restricted by the choices taken by public policy: As the bandwidth is set by the state, there should be just enough room to manoeuvre to reflect demand developments. Furthermore this soft transition in decision rights is accompanied by a soft transition in the primary distribution – the employment decisions as well as the decision to close down a production unit are crucially co-determined by the state²⁵. The other part of the production structure is large, more or less transnational corporations (TNCs). While the political counterpart of SMEs is states (in Europe NUTS 1 level) the political counterpart of TNCs has to be the European Union. The vision is to subordinate European TNCs to the political framework of EU, to make them European production units liable to a common European fiscal system and devoted to help to achieve the goals of Europe's economic policy. Full employment is just one of these goals. This inverts the relationship experienced in the past: From its second launch in the 80-ties onwards²⁶ European TNCs rather saw the EU as their political instrument to support their non-European profit tasks. The vision concerning full employment thus has severe implications for the power relation between EU and TNCs, it implies a shift of power away from TNCs and towards an enhanced political institution democratically legitimated by the European population. The current form of such an agent, the EU, still is far away from what is needed; an appropriate evolution is itself a vision.

(iii) As the repeated insistence on a European perspective in the last paragraph already indicated, the presented vision is **a vision for Europe** – and not for the world economy. The reason is simple: **European development** is asynchronous to most of the other parts of the world, what it will thrive to **(the vision) will contradict the**

²⁵ Note that this part of the vision is less radical than it sounds. For most European countries it is just another interpretation of an already – at least in nucleus - existing practice. The difference to current mainstream thinking consists in justifying, and trying to achieve this practice in accordance to the goal of full employment, while conservative hardliners would like to ban it.

²⁶ The meetings of the ‚Copenhagen Group‘ of TNCs have been pivotal for this second launch and can be considered as a counter-strategy to fight US TNCs, which had been substantially supported by the US government after the breakdown of Bretton Woods in 1971.

trajectories of these other parts²⁷. Nevertheless these unequal pieces of the world economy have to be described consistently; the description must be adequate, i.e. being able to highlight how overcoming one contradiction gives birth to the next one. In that sense the already mentioned phenomenon of global exchange rate exploitation via TNCs did solve the problem of an emancipated working class in OECD countries, and in the sequel enabled Asia and Latin America to enter the stage of advanced industrial capitalism – a process undermining global exchange rate exploitation. The increasing difficulty to place funds directly in this circuit of global exchange rate exploitation surely has seduced many a fund manager to turn to the world of purely symbolic, ultra-short-run trade at the stock exchanges – and this in turn fuelled the self-sustaining deterioration of signs for social values, which did not exist, the financial bubble. The asynchronous global evolution also blurred what in the 19th century was called class structure. Via their successful sublimated class struggle for social state-managed funds (e.g. pension funds) European employees got involved in global exchange rate exploitation as soon as the fund managers decided – with or (mostly) without the knowledge of their clients. At least as long as this circuit promised high profit rates. Then - with the help of ICT - the banks in OECD countries squeezed any not immediately consumed income out of households to feed the purely symbolic financial circuits at stock exchanges, and squeezed a trivial perpetuum mobile image of money accumulation into the brains of the masses²⁸. The problem of a European vision thus is not only a problem of the proper place of European economic dynamics in a largely asynchronous global trajectory; the problem also is the specifically alienated mind-set of the European population²⁹. The **vision in this latter respect is a second enlightenment movement for Europe**, a broad initiative for education in political economy and history. Though dominated by these disciplines it must not be restricted to them. The relatively high level of technical expertise must be maintained and extended towards innovative activity aimed at the **growth of utility for European citizens**, which will **not coincide** with the **growth of quantitative consumption of standard goods**. Note again that this perspective is a specific European one.

- (iv) Innovation in its traditional, Schumpeterian meaning - namely as a profit-expectation-motivated shift of a production function for process innovation and the introduction of an additional row and column of an input-output table for product

²⁷ It would be absurd to postulate a turn away from quantitative growth (towards innovative reproduction) as a vision for Africa.

²⁸ Several million Europeans sit at their laptops and play at the NYSE like playing cards, losing money they possess or have promised to possess in the future.

²⁹ This is a point, which is very far away from what Karl Marx could observe in his time. In general he wrote about the political economy of a closed nation state, with the exception of a short piece on trade. Contemporary dynamics seemed to suggest an ever falling real wage implying the purification of a contradiction between only two social classes. With Hegel's methodology in the back of his brain he concluded that the antithesis, the proletariat, will lead the way to a new communist society, a synthesis on a higher level. An adequate contemporary class concept evidently has to look rather differently – in particular if developed as Marx would do today.

innovation – will be challenged by a ***different type of innovation in Europe***. The new European mode of production with its strict distinction between reproduction tasks carried out by political institutions and innovation for utility growth carried out by social entrepreneurs poses a whole set of new design questions. ***The vision is to solve these questions in an incentive compatible manner***, i.e. agents using their internal models for their decision-making processes should arrive at actions not contradicting the ones suggested by the regulating mechanisms³⁰. ***European political economy in this vision thus is poised to lead human innovation to a qualitatively more advanced level.***

- (v) A global and extremely urgent problem is the contradiction between the maintenance of a ***sound environment*** and the countervailing actions of production units striving for maximal private profit. As the above made four points already indicate, the transition from profit-driven capital accumulation, vulgo quantitative economic growth, to innovative reproduction enhancing welfare, i.e. aggregate utility growth, ***this vision for Europe will provide an example*** for a future global political economy embedded in a sustainable environment. In other words, Europe alone will not be able to meet the challenges of the upcoming environmental catastrophes, which have accumulated in the last 60 years. The major contributors to the imminent disasters are to be found in the Americas and Asia. To prevent the worst it thus will be necessary to change the basic mechanisms destroying the environment in these parts of the world. The elements of a new mode of production envisaged for Europe have to be understood as the vision – a focal point with which immediate action can crystallize - around which in the mid-run a global vision can take on shape. The ***pilot project Europe*** thus has to acknowledge the different time scales to be met in global evolution, only then it can be successful. Within Europe the best that can be done – and thus is an ***important part of the vision*** - will be: (1) to ***change production logic*** as described above, and (2) to ***regulate import structure*** in ways to support environmental oriented goals. The latter point includes the idea to stop exchange rate exploitation of third world countries³¹, since with more ***stable exchange rates*** vis-à-vis the largest consumer area of the world there will be substantially less restrictions on implementing environmentally preferable technologies in these countries.
- (vi) Unfortunately enough the biggest contemporary challenge, the most dangerous contradiction, is also out of reach for a singular European initiative: The build-up of ***military potential*** waiting to be used to substitute exploitation via civilian means like markets. Like the previous one this contradiction mainly exists on a global level, and only sporadically trickles down to European relations. Global market relations, in

³⁰ A typical example of such a design was given by Nobel prize winner William Vickrey: If the goal of an auction is to reveal true evaluation of bidders despite the possibilities of strategic behavior, then the auction mechanism now called Vickrey-auction is the appropriate mechanism to do this job in an incentive compatible way. As the example shows, the design of mechanism usually is a tricky task.

³¹ This idea can be traced back to Jan Tinbergen, who held that the best that the developed world could do for the poorer countries would be to fix exchange rates.

particular expectations motivating moves in international finance, are directly influenced by military threats and the diverse internal political constellations of countries and regions³². The paleo-conservative rhetoric of free market forces having overcome any coercive intervention is contradicted by the incredible surge of military expenditure throughout the world in the last decades. Of course, every build-up of military threat via changing expectations influences market dynamics and spoils any perspective on replacement of the former by the latter. Military threat is a valid mean to generate profit³³, and as any political decision-maker knows military power has to be shown from time to time to be a credible threat³⁴. This means war - and gives another line of explanation why large economic crisis often has been followed by a war: If expected and realized profit rates remain very low for a long enough period then the exploiting social unit will consider a return to exploitation with direct coercive means. But how can a European vision be maintained if a 3rd World War is pending? The answer is similar to the one in point (v). Within Europe the force to exploit - to capital accumulation and economic growth in the vulgar sense - is eliminated by the European pilot project sketched above. Of course, some **correcting measures to keep the project on track** might be necessary if **neo-fascist groups manage to get into state power in some European countries**. On a global scale Europe's military strength is low, split between national armies, and supervised by an US-dominated NATO. Again the **only option for the European vision** is to **provide an example of how a peaceful civil service obligation can replace military service** in a continental unit. At first sight the strength of a policy of just giving good examples surely looks ridiculous. Moreover, compared to environmental questions where the general public in the Americas, Asia, and Africa is already sensitive, the problems of turning military strengths into a preference for civilian solutions are less well appreciated outside Europe. But a closer look reveals how expensive military intervention quickly becomes, wars usually are lost because for one of the opponents money is running out, to capitulate becomes cheaper than to carry on. Wars involving large and well developed consumer areas - and Europe is the largest consumer of the world - are particularly unwise since they ruin potential revenues. But if such considerations save Europe from direct involvement, they also enable it to demonstrate and to distribute the message that war is not a necessarily occurring natural phenomenon. And this **message of a peaceful society is precisely the vision** to be transported. It is to be expected that other societies having experienced the bitterness of war will be receptive to this message.

³² It is telling how an international institution like the IMF evaluates 'political stability' and 'country risk' to support large investors. Its original task to prevent short-run liquidity problems of countries (like the ones encountered during the Great Depression) has slowly been changed to an agency maintaining a sensory system for political stability.

³³ Economists often miss the point that profit can be generated by direct coercive threat. On the micro-level national law systems usually hide and restrict this general property though already Karl Marx mentioned somewhere that 'original accumulation' of capital originates in 'a big crime'.

³⁴ An interesting exploration of a prominent mainstream economist of these questions is Jack Hirshleifer's 'The Dark Side of the Force' [Hirshleifer, 2001].

It is evident that the design of a political economy of Europe as aspiring as the fragments put forward above would suggest needs a lot of expertise. Expertise scattered over a wide range of disciplines and nevertheless coordinated by team leaders who are aware of the common goal, expertise demanding an organizational structure, which currently simply does not exist. Academic communities or more to the point, the individuals within each community have every reason to engage in individual career seeking behavior choosing teamwork only as a transient strategy – and above all to avoid any content oriented goal asking to subordinate some individual preferences to social preferences. In other words, a social unit transporting a European vision has not constituted itself yet³⁵.

Conclusion

Visions are omnipresent. They permeate individual lives in computer games, chats in cafeterias, thoughts about consciousness in the night before falling asleep – and economic textbooks. But some visions are much more powerful than others because they are shared by many people, or repeated again and again by the media. Their role as a force shaping society can hardly be exaggerated. Who creates visions? Not necessarily scientists, one has to admit. Religious leaders traditionally were the masters of vision industry, and today their more or less secularized heirs experience a global renaissance. What Schumpeter once had theoretically constructed as the driving entity of capitalism on the level of its basic element, i.e. the entrepreneur as the leader of a firm, was also equipped with a vision. According to Schumpeter only this vision constituted the superiority which enabled entrepreneurs to advance production technologies, to make progress happen. At a macro-level the vision carrying unit has been shown to be evolving in part 1 of this paper. The current state of affairs seems to resemble a vacuum emerging from the breakdown of the paleo-conservative vision. And in less secularized parts of the world this vacuum quickly is getting filled up with several religious visions. For Europe a new vision is not in sight yet, therefore part 2 sketches how the vacuum should be filled. This European vision of political economy insists on its non-religious, i.e. scientific, character referring to contemporary contradictions in political economy as hints for visions of the future. As carrier of this vision a progress oriented scientific community is envisaged, a community which still is in status nascendi.

³⁵ It is perhaps a bit surprising that this seems to be one of the deeper reasons why the European Union still remains to be perceived as a bunch of bureaucrats driven by large European corporations.

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