

The Three Fields of Global Political Economy

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How could we overcome the opposition between (i) the American ‘normal science’ in International Political Economy (IPE) that has borrowed many concepts and ideas from economics and (ii) the ‘British’ alternative rooted in the historical-interpretative approaches of Robert Cox and Susan Strange?¹ For good reasons, the American mainstream has taken economics seriously, yet so far, it has largely limited its attention to neoclassical economics.² The ‘British’ approach – many critical political economists prefer the label of Global Political Economy (GPE) to that of IPE – has yielded genuine insights into changes of relations of power, hegemonic understandings and distribution of wealth, but it has failed to theorize economic mechanisms and processes. What would be needed, it seems, is a new framework to capture the historical dynamics of the global political economy as a whole in all its inter- and intra-dependent aspects and layers, yet with a specific focus on economic growth and its variations and implications.

The central thesis of this paper is deceptively simple. Global political economy can be conceived as a real open totality that includes, but is not restricted to, three dynamically related generic fields that generate real economic phenomena, among other outcomes. Comprehending these three fields contributes to an explanatory understanding of the historical movements of the global political economy. Such a contribution unites constructivist insights about economics as knowledge with philosophical realist understanding of power and complex causation. Prevailing political economy ideas and theories have real causal effects through agency, economic activities and regulatory-institutional implications. They are, in part, responsible for uneven growth and cyclical changes both within countries and in the global political economy as a whole. Simultaneously, the social determination of economic policy discourses and practices takes place within, and as an essential part of, global political economy processes and involves asymmetrical relations of power.³ I argue that this is a mutually constitutive process that can best be conceptualized in terms of learning within generic fields.

Drawing selectively from Pierre Bourdieu, a field may be initially defined as a social space structurally conditioned by the prevailing dispositions of actors and the relational positions of practices involving particular distributions of resources.⁴ Fields are spatially distributed potentials co-causing events and

¹ Cohen 2008a, b.

² See Phillips 2009; Wade 2009. There are of course notable exceptions to this rule, such as Gilpin 1981, 1987, who considers also mercantilist, Marxist and Keynesian economic theories.

³ Power understood in line with Guzzini 1993; Barnett & Duvall 2004.

⁴ Introduced in Bourdieu 1968; and further discussed and developed in various works, for instance in Bourdieu 1993, 72-77, and Bourdieu 1998, 31-4, 78-85. Unlike Bourdieu’s, my generic fields are not confined to particular sectors of activities or particular organizations, nor am I relying on Bourdieu’s concept of capital. However, at times I talk about fields in the more limited Bourdieuan sense. The context should make the intended meaning clear.

processes that happen within them.⁵ Every generic field exists in multiple sites. Fields are not fixed, entirely coherent, consistent or homogenous. They exist as sites of contestation regarding their constituents. But at the same time, each field is constituted by particular understandings and tends to be dominated by a knowledge-practice *ortodoxa*. As such fields have the power to define vectors for ongoing activity – lines of recognized choices, rationalised conduct, legitimate participation, and common sense. In a historical sense, fields have trajectories, created also by path-dependencies and tendencies towards self-reinforcing feedback loops.

The three generic fields in the global political economy are: (i) an expanding field of “economic liberalism” that has synthesized in various ways characteristic attitudes of, and policies towards, markets, freedom and justice in relation to a historical series of capitalist forms; (ii) a “social/democratic” field stemming from critical responses to cyclical problems and various crises within historical capitalist market society, characteristically assuming the form of critique of contemporaneous economic liberalism;⁶ and (iii) finally, a field of *raison d’Etat* – a restrictive or limiting horizon of thinking contemporaneous economic issues from within a particular state in terms of its positioning and national imaginary.⁷

Exploring these three fields allows us to develop the concept of a *holomovement* of the global political economy as a whole.⁸ Holonomy is about tracing the concrete history of this holomovement. This tracing is important because it provides us with insights into the evolving framework of the global political economy. We can look at its development through the changing nature the fields in order to understand its forms, explain its tendencies, and envisage its possible and likely futures. In analyzing these three fields, I stress the constitutive role of economic theory, while using economic theory also to understand reality (in broad terms, rather than in terms of the minutiae of economic theory or specific empirical elements of economy).⁹

⁵ Bhaskar 1978, 85; Harré & Madden 1975, 87.

⁶ The second field involves a wide and profound set of critical responses and institutional re-arrangements. To stress the wideness of my definition I use the slash in the middle of the word “social/democracy.” Crisis and critique are internally related. The Greek word κρίσις (*krisis*) refers to dissent and controversy, but also to a decision that is reached and a decision that is passed. “Critique” is the evaluation or decision concerning a conflictual and controversial process – a crisis. Benhabib 1986, 19, citing Koselleck.

⁷ Although my account of the three fields overlaps with Robert Gilpin’s 1975 models or scenarios of the future and with his 1981, 1987, theories and ideologies of political economy (liberalism, Marxism, nationalism), the ontological differences are profound. Gilpin 1987, 25 recognizes that the three perspectives “define the conflicting perspectives” that actors have, but he does not theorize the way in which these perspectives are part of the dynamics of world economy and history.

⁸ The concept is adapted from Bohm 2002, 182-99, and applied to the context of global political economy. Various autonomous / heteronomous forms are seen to be merely aspects, relevated in a holomovement, rather than disjoint and separately existing things in interaction.

⁹ For a scientific realist comparison of the problems and merits of neoclassical and Kaleckian-Keynesian economic theories, see Khan and Patomäki 2010; for a somewhat similar approach to the use of economic theories in understanding growth and development in the global political economy, see O’Hara 2006.

This emphasis is, in turn, important because it enables us to reflect upon the role of economic knowledge-practices within fields as simultaneously a mutating inner code and a collective learning process.¹⁰ That is to say that economic knowledge-practices are causal parts of geo-historical processes that shape world history. Focussing on this shaping allows us to be critically constructive regarding the broad dynamics of fields from a position of “holoreflexivity.” Holoreflexivity refers to the holistic analysis of a holomovement’s mechanisms, structures, flows and processes.¹¹ From our current position of crisis, key questions here are what kind of economics and what kind of global political economy are we tending towards?

First I expand on and adapt the concepts of field, *habitus* and *doxa* and introduce the key characteristics of economic liberalism that have in various ways dominated the historical era from the mid-19th century to early 21st century. I also set out how that orthodox liberalism has re-risen to prominence and mutated as neo-liberalism in a particular world historical context. Second, I describe the social/democratic field with reference to the economic theories of Marx, Hobson and particularly Keynes, Kalecki and Minsky. Third, I specify the main aspects of the field of *raison d’Etat*, particularly the ways in which perceived state policy options in an economic downturn are restricted in counterproductive ways by the field of economic liberalism. Following the exposition of these three fields, in the key section of this paper, I join the three fields together under the concept of a holomovement. In the final section, I conclude by stating some of the current holoreflexive potentials arising from the recent shifts in the three fields. I argue that economic liberalism, despite its apparent resilience, is likely to be on the wane. Through experiences of causal effects, contestations and collective learning, there are tendencies for world history to move towards a green global-Keynesian direction.

The generic tendency towards liberal orthodoxy

The *habitus* of embodied actors is a generative dynamic structure that adopts and accommodates itself to a dynamic field. The field is composed primarily of other embodied actors and geo-historically situated practices and institutions within which actors are positioned. A *habitus* is formed and constituted by the collective historical development of schemata of perception, prototypes, categories, metaphors and framings, and of explicit ideas and theories built upon these foundations.¹² *Habitus* refers to the mastery of the habitual know-how drawing

¹⁰ Adler & Barnett 1998; E. Haas 1964, 1976, 1990; P. Haas 1992, 2000, 2004; and Wendt 1999, have studied learning in the context of co-operation, integration, and identity-, community- and state-formation. These are relevant, but insufficient as they focus on technical knowledge or benefits of co-operation and collective identity-formation. I theorize learning occurring at the level of Gramscians common sense and hegemony. However, neo-Gramscian works such as Cox 1996 and Gill 2003 hardly mention the word “learning.” Culpepper 2008 theorizes the politics of learning, but with a limited focus.

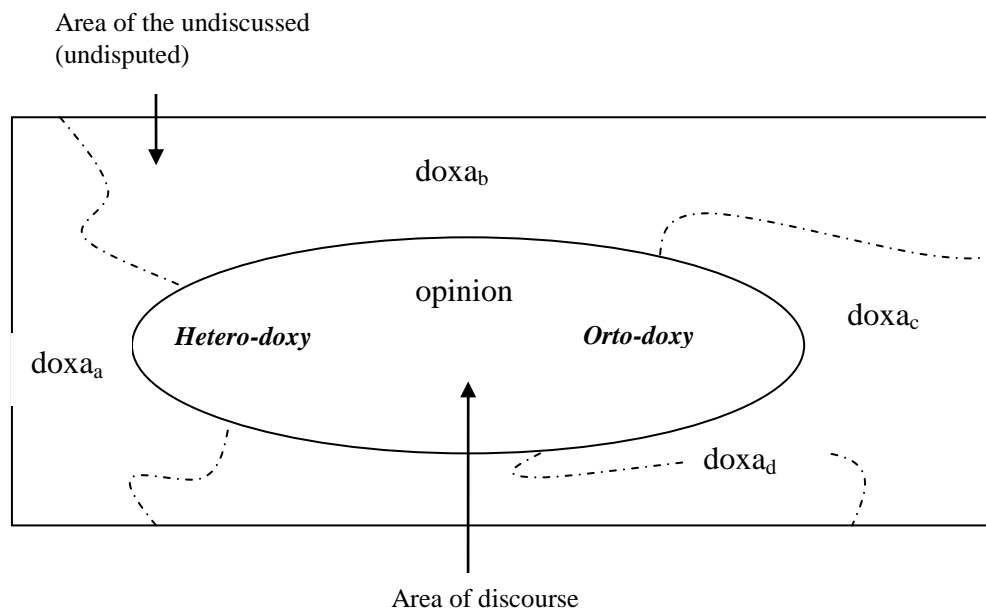
¹¹ Camilleri and Falk 2009, 535-8.

¹² Categories are learnt automatically and unconsciously as a result of our functioning in the geo-historically evolving world. Thus the schemata of perception, classification and action evolve historically.

from the available historical resources, providing the basis for everyday classifications, interpretations, stories, judgments and actions. The unconscious and taken-for-granted background of practical judgments and actions is called *doxa*. For instance, in the era of classical political economy, the labor theory of value (LTV) was largely taken for granted, and used in practical action to support the rising industries and bourgeoisie against land-owners; whereas the implicit presupposition of the LTV is the modern Western idea that there must be a simple external measure of value. The area of explicitly contested opinions concerns *ortodoxa* and *heterodoxa*.¹³

As illustrated in Figure 1, the overt opposition between a “right” opinion and a “wrong” opinion delimits the area of possible discourse.¹⁴ Explicit arguments are embedded in *doxa*, in all those background beliefs that go without saying and things that cannot be said or brought to the conscious level of discourse, for one reason or another. Although there are shared elements across all *doxas*, there are also differences in tacit background experiences and understandings, indicated by subscript letters {a, b, c...}. Since J.C.L. Simonde de Sismondi coined the term “economic orthodoxy” in the early 19th century, capitalist market societies (at least in the core areas of the world economy) have been to a large, but varying,

Figure 1: The area of discourse and its background context



degree organized in terms of ideas and theories of economic liberalism. The framings, metaphors, classifications, related ideas, theories, and geo-historical stories, of this orthodoxy have not remained unchanged. However, the basic

According to Lizardo 2004, the concept of *habitus* is adopted from Jean Piaget’s theories of human learning.

¹³ Ibid., 159-71.

¹⁴ Ibid., 168.

themes of economic liberalism have endured across various transformations. These themes include: (i) self-regarding actions organized via market-transactions can be, and usually are, to the public benefit; (ii) inheritable private property rights are universally valid and should be seen as the key to human freedom; and (iii) free markets are, in general, just and efficient.

Liberalism, too, evolved from a historical learning process.¹⁵ In the 18th century, especially for the Enlightenment thinkers, the aggressive pursuit of possessions by means of violence and power seemed a source of misery and evil (as in the behavior of aristocrats and monarchs), whereas the prudent wealth-accumulation of the bourgeoisie in a stable and just setting appeared to benefit many. Thus rose the great civilizational quest to fabricate the *habitus* of a rational and prudent self-interested man by means of persuasion, teaching, and institution-building. Classical economics analyzed this historical transformation and its consequences, but once established, these historical origins were forgotten. Since their emergence in the late 19th century, the a-historical theories of neoclassical economics have prevailed as the leading *ortodoxa*, with the exception of three decades in 1936-71, to be discussed below.

Many forms of economic liberalism have been abstracted away from ethics, politics and class analysis. In particular, most neoclassical economists frame economics as a positive, ahistorical and mathematical-technical science, which has no inherent normative implications.¹⁶ And yet the characteristic *habitus* of economists and related experts – acquired in the course of their training, and anchored deeply in their daily professional practices – includes a predisposition towards preferring “efficient free markets” and minimal public “interference.”¹⁷ Neoclassical analysis has replaced historical social relations by abstract pre-given individuals. This idea has been subsequently translated into the constitution of practices. The normative aspects of claims such as “in competitive markets everyone gets X in accordance with their marginal productivity” have been a source of many debates. Assuming the “scalar distribution”-model of justice (“the more you contribute, the more you get”), this claim amounts to a theory of justice according to which, in competitive markets, everyone gets what they deserve.¹⁸

¹⁵ See Hirschman 1977; Force 2003.

¹⁶ As most famously declared by Friedman 1953; and contradicted by works such as Friedman 1962.

¹⁷ On the effects of business administration / economics education to the formation of a habitual propensity to conceive of and act towards the surrounding world in technical-Malthusian-economistic terms, see Dahlgren 1989; and for an analysis of the inherent logic of textbook economics that provides the conceptual basis for this kind of *habitus*, see Patomäki 2010, 70-73.

¹⁸ John B. Clark wrote in 1899: “it is the purpose of this work to show that the distribution of income to society is controlled by a natural law, and that this law, if it worked without friction, would give to every agent of production the amount of wealth which that agent creates”; Clark 1908, 1. Similarly, the point of Kenneth Arrow and Frank H. Hahn’s classic *General Competitive Analysis*, 1971, seems to be to show, with mathematical certainty and precision, that the basic conclusion of Walras and other neo-classicists is valid: (i) competitive markets can yield an efficient Pareto-optimal equilibrium and (ii) prices of factors such as labour can equal marginal productivity.

Enduring themes are not limited to any particular theories that express them; nor are they mere ideas or ideological beliefs. They have become, and are, constitutive of the real social world. They generate activities and relations of power and, in suitably favorable contexts, positive feedback loops. Liberal *ortodoxa* favors institutional arrangements that reinforce absolute and exclusive private property rights and competitive markets. These institutional arrangements organize individual and corporate actors as separate and, by definition, self-interested. The process of modern economic growth – that started in Britain in the 1820s – is fuelled by scientific-technological developments and involves oligopolization of markets, or in Kaleckian terms varying “degrees of monopoly.”¹⁹ Through these and other similar real causal processes concentrating resources in relatively few hands, liberal institutional arrangements generate relations of agential and structural power.²⁰

Characteristically, since the late 19th century, and especially in the neo-liberal era, asymmetrical power relations are articulated in terms of the requirements of “business confidence.” Within a liberal framework, mass media and education of professionals are conditioned and shaped by economic capital; this conditioning also provides public authority to the suitably opinioned and positioned experts.²¹ It is not only that money can be converted into symbolic power, or that money can buy opinions in various ways, but that “quite apart from the direct profit [...], conformity to the rule can bring secondary benefits such as the prestige and respect which almost invariably reward an action apparently motivated by nothing other than *pure, disinterested* respect for the rule.”²² These actors can then return the favor and praise and promote like-minded others, including newcomers to various organizational and academic fields.

Business elite networks with the political elite and state bureaucracy, and vice versa. Alongside everyday practices grounded on prior commodification, all this creates a context where the selection of categories, schemas, metaphors, stories and theories are favored that are by and large compatible with the liberal orthodoxy and its background *doxa*.²³ Once these objective schemata and

¹⁹ Keene 2004, 54-84, shows that the neoclassical scheme price equals to marginal cost is, in general, theoretically impossible. Kalecki 1969, 13-31, argues that unit costs are stable, and that prices are set in relation to the unit prime cost u and to reflect the weighted average of the prices of other relevant firms p , i.e. $p = mu + np$, where the relative weights and coefficients m and n depend on the degree of monopoly. Schumpeter, 1939, 59, 98-92, further reminds us that (legally protected) innovations make monopoly profits possible, and that there can be no continuous supply curve because with technological and organizational improvements the average costs will fall. Moreover, often the demand and supply are not independent of each other, for example when product differentiation is effected through marketing that accounts for a substantial part of the production costs.

²⁰ For instance, Barnett and Duvall 2005; Emirbayer and Johnson 2008; Gill and Law 1989; Guzzini 1993; Lukes 1974; and Trumpy 2008.

²¹ Recent insightful analyses of the (neo)-liberal systems of media and higher education include, Fuller 2000, 2009; Herman and McChesney 1997; Schmidt 2001; and Szántó 2007.

²² Bourdieu 1977, 22.

²³ *Doxa* also involves metaphysics, cosmology, ethic and political philosophy; see Bourdieu, *ibid.*, 93-4. Typically, the myths of Copernican-Darwinian scientism have grounded what Marx (1906) called “commodity fetishism.” First, individual subjects are assumed to pre-exist society; second, their geo-

meaning structures are selectively adopted by embodied actors and have become part of their *habitus*, these actors not only adapt but also take actively – at times passionately – part in struggles in various organizational and intellectual fields, re-structuring social realities. The process of restructuration, which revolves not only around claims of technical efficiency and growth but also freedom and justice, reinforces the field of economic liberalism – at least in the short to middle run.

Importantly, the field of economic liberalism is ambiguously related to democracy. On the positive side, its universalism and abstract individualism makes it difficult to sustain traditional authority and class structures and is, in general, disposed towards supporting universal liberal-democratization and to promoting polyarchy.²⁴ Some articulations of orthodox theories have been motivated by explicitly egalitarian and sometimes even socialist considerations; and others have had unintended egalitarian implications.²⁵ On the negative side, the institutions of “free markets” tend to engender the concentration of resources and powers. Since the rise of neoclassical economics, capitalists – i.e. actors predisposed to favor the visions and interests of private corporations and owners of financial capital – have usually drawn a strict line between the economic and political spheres and are opposed to any attempts of “interfering” in the private economic sphere in terms of democratic politics. Thus, in the democratizing, or already democratized national contexts, orthodox liberal *habitus* has often been inclined to limit and condition democracy, and in some cases it has supported periodic authoritarianism to maintain or restore the basic principles of a capitalist market society, as illustrated by the cases of apartheid in South Africa in 1948-1994 and dictatorship in Chile in 1973-1990.²⁶

Characteristically to the ethos of the orthodox liberal field, Joseph Schumpeter went so far as to maintain that elites in effect create the will of the people: “[...] the will of the people is the product and not the motive power of the political process.”²⁷ The meaning and significance of democracy is only in the guarantee that the national ruling elite can be replaced via elections, i.e., that there is electoral competition within states. However, stability of the capitalist socio-economic order is the main goal. Stability is preferred over uninformed and potentially dangerous participation of people or “mobs.” It is good if people belonging to lower socio-economic groups are parochial and detached from politics.²⁸ Related criticism of democracy includes the ideas that social choice, as aggregated from individual preferences, is always problematic; bureaucracies and

historical social relations are conceived in terms of, and then constituted as, apparently objective relationships between utility, commodities or money.

²⁴ For discussions, see Dryzek 1996; Robinson 1996.

²⁵ Both Walras and Marshall considered themselves sympathetic to socialism in various ways. See Robinson 1964, 54-61, for apt remarks on their confusions and contradictions; and *ibid.*, 52-4, for a discussion on the unintended egalitarian implications of related conceptual moves.

²⁶ For instance, Abrahamsen 2000; Dryzek 1996; Teivainen 2002.

²⁷ Schumpeter 2008, 263.

²⁸ Almond & Verba 1963.

politicians maximize their own interests and tend to make politics a negative-sum game, which is detrimental to general welfare; and many democratic demands have exceeded the capacities of the states.²⁹

The reinforcement of economic liberalism

As will be soon explained, in 1936-71, the field of orthodox liberalism lost strength in the face of the amplification of the social/democratic field. The process of neo-liberalization, which started in the early 1970s, has often been explained in terms of new post-Fordist relations of production. Neoliberalism is assumed to be appropriate or functional for “post-Fordist” practices and relations of capitalism.³⁰ This scheme of explanation is classically Marxist (relations of production → super-structure). However, some authors in this school of thought rightly question the coherence of any distinct “post-Fordist” regime of accumulation. What is called “post-Fordism” is actually a result of a mixture of processes. These processes include the deepening of consumerism and product-differentiation (themselves important aspects of the on-going process of economic concentration); the emergence of new communication and information technologies and thus new technological possibilities for organizing production across time and space; transformation of relations of power within the workplace in favor of the owners and professional managers; and the application of new (neoliberal) management ideas first in private and then in public organizations. In other words, “post-Fordism” is more a result of neoliberalization than its cause, although not reducible to it.

A key source of the power that has (re-)generated economic liberal *ortodoxa* lays in the discrepancy between the limited reach of territorial states and an open world economy. The origins of neoliberalization thus lie in the struggles over income distribution, competitiveness and power in the context of this discrepancy. The power of the liberal field stems not only from the embodied and institutionalized inner structures of liberal-capitalist market society but also from the field’s generic potential for spatial extension.³¹ Throughout the Bretton Woods era, territorial states remained the main locus of regulation and the sole locus for tax-and-transfer policies. At the same time, the rules and principles of the Bretton Woods system and the GATT-agreement were meant to ensure gradual liberalization and re-integration of the world economy.

By the early 1960s, the re-integration of the world economy had opened opportunities for many business actors to resolve their day-to-day problems by spatial relocation. The ensuing transformations also involved explicit political choices. The key choice was made by President Richard Nixon in 1971, disconnecting the value of the US dollar and that of gold. This was a choice

²⁹ For a critical scrutiny of these claims, see Mackie 2003.

³⁰ Amin 1994; Boyer & Durand 1997; and Tonkiss 2006: ch 4.

³¹ See also Harvey 1990; 2005.

between unilateralism and multilateralism; unilateralism was justified also in terms of a belief in “free markets.” Ethico-political ideas associated with neoliberalism entered the public sphere more forcefully only after 1971-3. Once the structural power of transnational capital and neoliberal globalization had gained ascendancy, the re-generation of the field of economic liberalism has followed its own self-reinforcing dynamics.³²

The field of economic liberalism involves positive feedback loops through the realization of its preferred institutional arrangements which, in turn, tend to reinforce its potential. The dynamics of this process, characterized by positive feedback to at least some actors, have the power to support and institutionalize the original choice or choices. In a reciprocal process, actors may thereby lock themselves in particular epistemic positions that then become constitutive of their *habitus*, i.e. mode of being and agency. Political settings where one set of actors must initially impose their preferences on another set through an open conflict (“the first face of power”) may thus change over time into a setting where power relations are so uneven that anticipated reactions and agenda control (“the second face of power”) and ideological manipulation (“the third face”) make open political conflict unnecessary.³³

Designers of institutions are often interested in binding their actual or potential political rivals and sometimes also themselves. Moreover, policies and institutions also tend to create vested interests that, in the subsequent phases, are likely to reinforce the dominant world view, in other words, the leading *ortodoxa* and its unconscious and non-communicated background. Institutionalization can reinforce the on-going historical process and fix its direction. In the absence of spontaneous criticism and learning, and/or disasters and crises, reversals become increasingly difficult, despite the on-going struggles in various organizational and intellectual fields over classifications, positions and resources. If the institutionalization lasts long enough, and the potential of other co-existing fields becomes virtually invisible, it may even partly restore the primal state of innocence of *doxa* at least close to the centre of those geo-historical powers that generate the liberal field. Hence, the dynamics, once triggered, can reproduce and may even amplify itself also in the absence of the recurrence of the original events or processes. Here is, however, always a tension vis-à-vis emerging or co-existing fields. Economic liberalism, in particular, has existed in tension with a social/democratic field.

The social/democratic field: collective learning from negative experiences and various crises of the capitalist market society

It would be wrong to assume an ahistorical strategic subject shaping the dominant field and mobilizing language and symbolic resources for its own

³² The process of neoliberalization is discussed in more detail in Patomäki 2008, chs 5 and 6.

³³ Pierson 2004, 37.

benefit.³⁴ *Doxa* is differentiated in a complex society and actors learn also from their own experiences. Sectional interests are constituted and generated within generic fields such as the field of economic liberalism, and they also play a role in various organizational and intellectual fields, which nonetheless can exhibit a significant degree of autonomy and spontaneity. The operators, generators and transformations of any field work through the *habitus* of actors both in unconscious and conscious ways. The way a *habitus* adapts to a field and takes part in its transformations can never be more than partly conscious to the actors themselves.³⁵ Fields shift and evolve historically, also through conscious learning from the real effects of past practices and institutions, re-shaping them accordingly. Types of resources can be converted into other kinds of resources – also because they may be more relevant in the transformed social situation. In this process, the *habitus* itself is also being transformed, with both intended and unintended effects.

These complexities notwithstanding, the categories, schemes, metaphors and theories constitutive of the liberal field are also structures of signification that legitimate the sectional interests of hegemonic groups in the on-going debates and struggles. Orthodox categories, metaphors and framings generally involve various illusions. Typically, illusions are reinforced by the daily time-space paths of actors that illuminate only limited aspects of social realities and always from a particular angle; and by one-sided information filtered through the practical censorship of *ortodoxa*, generating and sustaining various illusions.³⁶ As a rule, in liberal societies, censorship operates tacitly via the *de facto* screening and filtering of the widely circulated images and interpretations, rather than in terms of official censorship. Wide circulation of interpretations requires real powers. During the 19th and 20th centuries, lived-through experiences and their interpretation – and simultaneously also the censorship of these interpretations – have become increasingly mass-mediated. Many struggles have revolved around the privatization and commercialization of these media, as their mode of organization affects what comes to be seen and heard by the multiplicity.

³⁴ Thus Giddens' 1979, 188, definition of ideology is problematical.

³⁵ The genetically evolved mechanisms of perception, imitation, and social performance whereby we automatically react to the behaviours, experiences and emotions of others, and adapt to them empathetically, sympathetically or competitively, remain causally efficacious also in the 21st century societies; see e.g. Arbib 2008; Rizzolatti and Craighero 2004; Tamietto et.al. 2009. However, in the contemporary world, the most important and relevant unconscious mechanisms are cognitive and involve habitual or unacknowledged practical inferences and fallacies; complex metaphors; conceptual blendings and integration; and construction of narratives; Alker 1996; Fauconnier and Turner 2002; Gilovich 1991; Lakoff and Johnson 1999.

³⁶ Humans are pre-disposed to recognise a familiar figure in a random or ambiguous data. They also tend to see what they expect or want to see and believe what they are told or what they think is in agreement with the others. Also, they are subject to manifold practical fallacies, such as fallacious *ad hominem* arguments. Moreover, judgments of frequency, probability and prevalence rely on "availability heuristic." Social illusions are much more complex and contested than optical illusions, but, nevertheless, critical evidence and argumentation can point towards a systematic distortion of reality. Cf. for instance, Gilovich 1991; Kahneman and Tversky 1996; and Walton 1989.

Now, those identifying with marginalized experiences and thus standing for dominated groups, classes or nations can try to push back the limits of *doxa* by exposing the problems of the hegemonic taken-for-granted. This is a learning process that presupposes the development of conceptual, symbolic and material means of rejection of the “good of the community” or “universal” that is imposed upon them.³⁷ Where the world economy is dominated by the liberal field, critical responses and related public struggles have created the social/democratic field. As capitalist market society and its understandings are prior geo-historical formations, this field has been engendered and amplified in terms of opposition to the liberal field and its real effects. However, actors engaged in critique of capitalist market society often draw meanings and intellectual resources both from the earlier geo-historical layers and from liberalism itself.

Karl Marx is a case in point. In his own lifetime he was a marginalized figure, both academically and politically, but with the rise of working class parties – the mobilization of which he co-initiated – in the late 19th and early 20th centuries his understandings of social realities became constitutive of emerging political practices and institutions. Marx not only relied on Aristotelian and Christian categories and conceptions, often without acknowledging it,³⁸ but also aimed at immanent critique of the assumptions prevailing in contemporary society. Thus he argued (i) that assuming the Lockean labor theory of value, workers produce the surplus value under capitalism, and thus profits of the owners of means of production amount to exploitation;³⁹ and (ii) that assuming the Hegelian theory of the dialectical development of the self, capitalist relations cause alienation that can only be overcome by creating a system of production and exchange based on the principle of voluntary associations of workers (i.e. Marx argued that to be forced to sell one’s commodified labor power is antithetical to human freedom, dignity and autonomy).⁴⁰ Marx also developed theories about periodic and systemic crises of capitalism, expecting them to bring about upheavals and, ultimately, a revolution.⁴¹ In alliance with modern science and engineering, modern capitalist economy constantly creates “new objectified powers of human knowledge and work,” i.e. new productive powers of machines, equipment and capital.⁴² In a cyclically varying manner, however, these potentials cannot be fully absorbed because of the active role and demand for money (or what Keynes would later call “liquidity preference”), and also because of the systematically

³⁷ At the post-conventional level of cognitive and moral learning (cf. Kohlberg 1973; Habermas 1990), critical responses do not have to be any less universalizing. By showing the implicit partiality and limitedness of the perspectives and arguments characteristic of the field of economic liberalism, they may, and often do, aim at articulating a more genuinely universal ethico-political-economy theory.

³⁸ See Pike 1999; Judt 2006.

³⁹ This was a key aspect of Marx’s immanent critique of orthodox liberalism; Marx 1906.

⁴⁰ For a discussion, see Ollman 1975, 131-214.

⁴¹ A clear exposition of different variations of Marx’s theories of crises is Elster 1985, 154-65. Like Elster, also Milios and Sotiropoulos, 2007, see clear connections between some versions of Marxist theories of crises and Kaleckian-Keynesian economics.

⁴² The slightly modified quote is from Marx 1973, 706.

restricted consumption powers of the workers.⁴³ The responses of the working class parties to various politico-economic crises experienced in the late 19th and early 20th century vacillated between democratic reform proposals and revolutionary zeal.

In the late 19th century, the tendencies towards overproduction and underconsumption were reflected upon by several theorists. Indicative of new levels of learning and reflexivity, the theories of underconsumption were usually stimulated by particular developments such as the oscillations and crises that occurred during the long downward wave of 1873-1895. Within the political context of gradual democratization, these theories shaped the transformative ideas of emerging political parties. A key theorist was J.A. Hobson, who stressed the implications of the fact that insufficient domestic consumption power can be compensated by markets elsewhere.⁴⁴ When a downturn in economic growth in the developed and industrializing parts of the world economy is accompanied by deflation and recurring economic crises and depressions, alternative outlets are clearly needed. This seemed to explain the rise of neo-imperialism in the late 19th century. Hobson's critique revolved around the point that although an unequal income distribution might appear good for the wealthy classes, a skewed income distribution tends to lead to underconsumption, then to attempts to export the problem, and thereby – at least in the late 19th century conditions – to competing imperialisms, militarism and an arms race. Hobson's theory of underconsumption implied the need for new national and international institutions, which in turn would generate new political economy mechanisms and relations of power.

Since the late 19th century and early 20th century, with the rise of new forms of agency and aspirations, the social/democratic field has charged a potential for ethico-political directions that are markedly different from those typical of the liberal field. Moreover, various ideas and theories associated with the social/democratic field have also had potential for assuming hegemony and becoming a new *ortodoxa* either in limited national-statist contexts or more widely in the world economy as a whole.

This can happen through a pro-active sequence.⁴⁵ The sequence starts with people or groups who are willing and able to convert a new idea into a successful regulatory or institutional innovation through their mobilization efforts, or enrolment of existing organizational power, as well as through various available mechanisms and networks. The support for new ideas and change may also stem from a long-term process of collective human learning – learning understood as a fallible and never-ending process, with no implications to the ultimate truth-status of the learnt lessons – and not only from acute crises or calamities.

⁴³ At the most abstract level in *Capital III*, Marx 1991, ch. 15, explained that the limit of the capitalist mode of production stems from the discrepancy between human and social needs, on the one hand, and production for the sake of profit, on the other.

⁴⁴ Hobson 1988.

⁴⁵ The scheme of proactive and reactionary sequences is from Braithwaite and Drahos 2000, 31-3.

Quite often, however, the realization of the potential of new ideas and proposed institutional arrangements has been induced by a crisis or catastrophe affecting many, and stimulated by the related mass-media hype. A reactive sequence starts with a disaster, followed by public hype and demands by collective actors to introduce new rules and regulations, and new powers and institutions.⁴⁶ More than mere economic slumps and depressions, dramatic wars have tended to engender changes and even revolutions.⁴⁷ The Great Depression – which led to the rise of national-socialism and then to World War II – was especially conducive to the development and adoption of new ideas and theories. The economic theories of Kalecki, Keynes, Joan Robinson, Gunnar Myrdal and others rose in this context.⁴⁸ Their theories re-configured the vectors of the social/democratic field, which was at this point becoming quite potent in its earlier national-protectionist, Marxian, Leninist and military-proto-Keynesian manifestations.

The Kaleckian-Keynesian innovators stressed – and I take this also as a description of reality – that capitalist market economy is an intra- and interdependent whole that tends to generate oscillations in the amount of economic activities, with various amplitudes and wave periods. This new holistic perspective provided not only a plausible explanation of the recurring crises that culminated in the Great Depression but also provided new sources of meaning for political actors. According to both Kalecki and Keynes, the conditions of the parts depend on the development of the whole and *vice versa*. This makes self-reinforcing developments possible both down- and upwards. In developed capitalist market economies, something akin to full employment can be spontaneously approached only during relatively short-lived peaks of high economic growth (booms during an upward trend).

Kalecki's theory of investment is a prime example of the new ideas about these cyclical political economy developments. Kalecki's basic notion is simple and capable of explaining many real world trends and oscillations in economic growth.⁴⁹ Investment can absorb most of the savings only at times. During an upward swing, there are non-linear and time-lagged positive feedback loops among income, profits and investments. However, sensitivity of investment to income declines either due to existing excess capacity or due to the rising supply price or full employment constraints at the peak. Once a downward swing starts,

⁴⁶ *Ibid.*, 31-3.

⁴⁷ The Russian revolution of 1917 was made possible and prompted by the disastrous war.

⁴⁸ Key works include Kalecki 1935, 1936, 1943, 1968, 1969; Keynes 1961; Minsky 1982, 2008; Myrdal 2005. See also Robinson 1947, 1966; and for a good summary of Post-Keynesian economics, Arestis 1992.

⁴⁹ However, Kalecki's analysis was ahistorical. He tended to rely on 'stylized facts', empirical regularities of his time, and mathematical and econometric analysis without any systematic recourse to underlying geo-historical mechanisms or powers (cf. Walters and Young 1999, 114-5). Keynes, too, thought his theory as "general". Although I take Kalecki and Keynes to have provided real insights to the way capitalist market economy works, their conceptions are historically limited ontologically (the world changes with *habitus*, practices and fields) and epistemologically (knowledge about the historical world is fallible and changing).

the feedback loops begin to work to the opposite direction. What Kalecki's basic model does is to outline general- and realistic-looking conditions in which the decision-making rules of the firms can generate a system of investments and production that oscillates around a long-term growth-trend; possibly even in an unstable manner or with an increasing amplitude.⁵⁰

Roughly in the same way as in Keynes' *General Theory*, changes in investments have multiplier effects through changes in demand across different sectors of complex and interdependent economy.⁵¹ Increases in spending in public projects or investments can increase total spending by a multiple of that increase. In Kalecki's interpretation, the downturn will spontaneously last until the excess capacity is eliminated by factory closures. State responses would contribute to reversing the downward developments, thereby making the ensuing slump shorter and weaker, while sustaining growth. Furthermore, Kalecki and Keynes shared the basic idea of the underconsumption theorists, namely that redistributive justice through tax-and-transfer policies can increase effective demand and is thus conducive to growth and employment. Of the two, however, Kalecki was more skeptical about whether relations of power in capitalist market society would allow for rational economic policies. The first real tests came in the social/democratic era of 1936-1971.

Kalecki did not have much to say about finance⁵², but Keynes and his followers, such as Minsky, have described the mechanisms through which the uses of money and its price, monetary valuations of commodities and property, along with asset prices, tend to give rise to positive feedback loops.⁵³ A financial loop can sustain an exponential upward wave for a while but eventually it will collapse. Non-linear feedback loops in financial markets and consequent boom-and-bust cycles play an active causal role in a complex intra- and interdependent capitalist market economy. These loops are connected to changing moods and expectations about the future, which is not only risky (i.e. involving probabilistic outcomes) but also uncertain (i.e. open-ended and unpredictable in a deeper sense). For instance, the liquidity preference of the public – people's wish to hold cash instead of consuming or investing their money – is evoked by changing perceptions and moods about an uncertain future.⁵⁴ The concept of liquidity preference amounts to a temporalized version of the underconsumption theory.

⁵⁰ The models of Kalecki 1934 and 1935, exhibiting oscillations with a constant, increasing or decreasing amplitude, are based on linear equations. Kalecki 1937 and 1969 use non-linearity in order to make the theory more general and to avoid making reference to exogenous stochastic shocks. However, a limitation is that Kalecki's categories are not anchored in the explicit study of geo-history.

⁵¹ Keynes 1961, 113-31, did not invent the concept of the multiplier but he developed it systematically. Kalecki 1937, 77, writes that the main difference between two theories lies in the determination of the rate of investment, where the results are "fundamentally different," affecting also the multiplier.

⁵² Although Kalecki 1935, 330, depicts financial panics as exceptional and locates them outside of his analysis, Kalecki 1936, 358-9 theorises an economic system with a non-neutral money, i.e. a system in which purchasing power can be created by the credit system, which tends to amplify the oscillations.

⁵³ Minsky 1982; 2008.

⁵⁴ Keynes 1961, 194-209.

Financial dynamics reinforce money as an active part of economic developments, shaping the purchasing power of consumers and investors. Financial valuations themselves can shape the economic factors they are supposed to reflect, especially through equity and debt leveraging. This interconnection can give rise to a positive feedback loop generating a boom that will last as long as the optimistic expectations can be sustained. The expectations are generated by the positive feedback loop itself but not only, for the financial processes are also connected to oscillations in investments and general level of economic activities. The monetary system remains stable only as long as streams of revenue and profit enable firms to meet their financial liabilities.⁵⁵ New forms of profitable finance typically increase velocity of circulation and decrease liquidity, often merely by hiding uncertainty and risks. The higher the liabilities in relation to revenues and liquidity, the more unstable the financial system becomes. At some point, relatively small changes in interest rates, revenues or incomes may suffice to make some actors insolvent, endangering the solvency of those who are expecting due payments from them.

In the midst of mounting difficulties many investors will opt for “Ponzi finance,” akin to a pyramid-scheme, i.e. they have to take expensive short-term loans merely in order to meet their immediate financial liabilities. A rapid rise in Ponzi-finance indicates a crisis in the near future. Relatively small absolute changes in interest rates, streams of revenue and wealth can thus trigger a financial crisis.⁵⁶ In other words, financial innovations and increasing involvement in debt make the financial system more chaotic, despite regulatory authorities’ occasional attempts to close some loopholes and warn about the hazards of speculation. The inherent tendencies of finance thus create a mechanism of making the system as a whole increasingly sensitive to the conditions of its weak or vulnerable parts, while their weakness is, in part, a result of financial innovations and involvement in the accumulation of debt.

Financial expansion creates purchasing powers and shapes expectations and has thus the potential to stimulate consumption and investments; while investments also follow their own mechanisms and cycles. In open systems, actual outcomes are the net result of various overlapping but also contradictory causal mechanisms and tendencies. Together they produce a messy reality of partly synchronized variations and oscillations, which operate at various scales of time and across different sectors and locations. Some of the forces can be mutually reinforcing – depending also on the responses of the states – such as when the credit system amplifies oscillations in investments and consumption. It is from the real experience of the crisis that ensued challenges to the liberal field, based on the learnings of the economists such as Kalecki and Keynes, gained influence in the 1930s and 1940s.

⁵⁵ Minsky 1982, 22.

⁵⁶ Ibid., 162–77.

Changes in economic growth, profits, employment, profits, wages, taxes, income distribution and welfare are dependent on economic policies and institutional and regulatory arrangements. Together these form the broad ethico-political context of learning and tend to amplify either the liberal or social/democratic field. The general tendency towards the prevalence of orthodox liberalism becomes stronger when (1) the economic developments seem favorable in the world economy, i.e. when there is stable growth and high employment at least in the centres of the world economy and inflation is increasingly seen as the main problem; and/or when (2) the position of private capital becomes more secure in terms of structural power and/or political positioning, often through the command of space and time. Once dominant, however, orthodox policies can contribute to the slowing down of economic growth through various mechanisms that it enables, strengthen and triggers.

Following a major economic crisis, possibly in the context of a long downturn, learning occurs. Thereby the social/democratic field gets amplified, both through individual learning and through collective struggles over economic theory/policy and over institutional arrangements. No-one can fully escape the basic contours of the prevailing situation, even though any circumstances can always be interpreted in multiple ways. As the burden of proof is taken to lie with anyone who is arguing against prevailing wisdom, the broad context causes shifts in the burden of proof. The field of economic liberalism has the power to shift the burden of proof to the critics of *ortodoxa*. The social/democratic field in turn powers an oscillator that can swing the burden of proof towards *ortodoxa* at the time of a crisis. In the absence of institutional transformations, the resulting oscillations tend to decay or become “damped” as the crisis fades away and as a new phase of fluctuations is reached.

The field of orthodox liberalism bends social space-time towards Schumpeterian liberal-democracy within territorial states and implies the possibility of temporary lapses into authoritarianism. The social/democratic field involves universalizing ethico-political learning that favors more ambitious social and participatory interpretations of democracy, even if, at times, only in a contradictory way. The ambition stems from various ethico-political and strategic considerations. Eduard Bernstein, for instance, defined socialism as “a movement towards an order of society based on the co-operative and democratic principle of association.”⁵⁷ The problem for social/democracy was to sustain a movement towards a desired alternative to a capitalist market society dominated by the field of economic liberalism. Thus the welfare state was supposed to provide an institutional basis for further democratization of power-relations between labor and capital. The intention was that through mass mobilization, labor could counter the economic power of private owners of means of production with political power in the liberal-democratic states. Moreover, in order to sustain a gradual democratic movement towards democratic socialism, a well-informed public opinion could be formed and widespread civic virtues cultivated through

⁵⁷ Bernstein 1907.

universal public education. Another key aim was to overcome alienation and atomism of markets through de-commodification for instance in health and education.⁵⁸

Although virtually all parts of the world have been tuned into the liberal and social/democratic fields, and are connected to mechanisms and cycles of world economy, the related theories and policy-ideas have so far focused largely on separate states. The globalizing power of these fields is evident in the fact that all past attempts to withdraw from the worldwide division of labor and scientific-technological developments in the name of emancipation from the liberal field have tended to end up in a process of socio-economic mal-developments. Despite democratic and emancipatory intentions, in many cases these attempts have also resulted in an authoritarian rule or dictatorship involving repression and violence. Furthermore, as is now increasingly clear, the power of the liberal field stems not only from the embodied and embedded inner structures of capitalist market society but also from the field's generic potential for spatial extension through the re-location of productive and financial capital, thus decreasing the autonomy of states.

The field of *raison d'État*

The political determination of state-responses to various economic fluctuations and crises takes place also within the liberal and social/democratic fields, but the process cannot be reduced to their properties or powers. In addition, there are a range of reasons – often short-sighted – for the choice of particular state-responses to uneven developments or an economic downturn or crisis. The national-statist field is generated by struggles over values and resources and relational positions within the bureaucratic arena of the state, where the state is also recognized by other states in the international society.⁵⁹ The structures of the field of *raison d'État* have roots in nationalist, ethno-centric, or racist imaginaries developed and adopted to justify the construction of sovereign states and to legitimize their taxes, wars and positions. These imaginaries adapted to the prevailing stage(s) of ethico-political learning among the relevant parts of the population within a territory. Despite various universalizing tendencies, the core of these imaginaries is still built on a self-centric worldview and related stories, where the relevant collective self is being defined in the course of struggles within the arena of the state.⁶⁰

⁵⁸ See Esping-Andersen 1990; Meyer 2007; and Ryner 2002.

⁵⁹ The emergence of the national-statist field was a political economy process whereby the progressive development of the recognition of the legitimacy of official taxation, largely for the purposes of war, was bound up with the rise of nationalism and representative institutions. The modern state has forged national imaginaries forged from the pre-existing meaning structures and from the processes of codification, homogenization, objectivization and totalization that have in turn formed the basis of the modern “civilizing process.” The “civilizing process” has been typically legitimized in Hegelian terms of representing state-bureaucracy as a “universal group.” See Bourdieu 1998, 35-60; Elias 1978.

⁶⁰ For an analysis of the framings, metaphors and narratives of the nationalist imaginary, as well as contrastive globalist imaginary, see Patomäki & Steger 2010.

Following the industrialization of Britain, a number of 19th century critics of orthodox liberalism took nations and states as their point of reference rather than social classes. Henry Clay and Friedrich List responded critically to the unique economic position and rising powers of the industrializing Britain, which was also seen to constitute a potential military threat to the US and Germany. Clay was an active politician who supported the American System. The idea was to create tariffs to support internal improvements such as road-building and advance industry in the United States, the use of federal funding to build and maintain infrastructure, and a national bank to encourage productive enterprise and form a national currency. List, who advocated and shaped the establishment of the German customs union (*Zollverein*), protested against the universalizing principles of classical liberalism and the absolute doctrine of free trade. In his main work *The National System of Political Economy*⁶¹, List insisted on the special requirements of each nation according to its circumstances and especially to the degree of its development. He doubted the sincerity of calls to free trade from developed nations and Britain in particular, since the state had played a decisive role in their development.

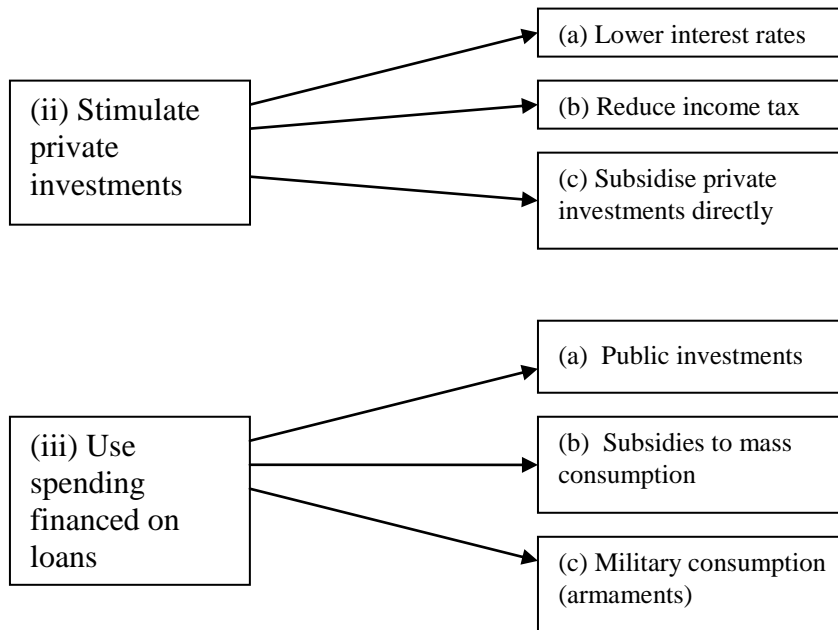
Apart from the long-term developmental considerations that remain relevant in the 21st century,⁶² states also have to tackle the oscillations that are characteristic of the capitalist market economy. When a downward economic turn begins, the state has four options: (i) to do nothing; (ii) to stimulate private investment; (iii) to develop government spending programs financed through loans; or (iv) to export the problem. As argued by Kalecki and shown in Figure 2, the options (ii) and (iii) can be further divided into three possibilities.⁶³ From a Kaleckian-Keynesian perspective, the most rational options to respond to an economic downturn are (iii.a) and (iii.b). Kalecki argued, however, that because of the prevailing institutions and structures of power in liberal-capitalist market society, that is, because of the inherent powers of the liberal field, it is difficult to deviate from the options (i) and (ii). A more forceful attempt to re-turn to *raison d'État* in terms of something similar or comparable to nationalist or fascist ideas would in turn result in options (iii.c) and (iv). For instance, during the 1930s Great Depression, big business was by and large opposed to government experiments of creating full employment through spending in every country except one, namely Nazi Germany, which invested heavily in the military.

⁶¹ List 1885. I am citing a freely downloadable copy of the 1885 English translation of List's main work, which is divided into four books and 36 chapters. See especially the fourth book, ch.33.

⁶² See Jomo KS & Fine 2006; Ocampo & Vos 2008.

⁶³ Kalecki 1943.

Figure 2: Government options in response to a downturn



The most orthodox liberal response of (i) “doing nothing” would make the slump deep and long. Within the field of economic liberalism, the most evidently plausible alternative is to stimulate private investments. This response (ii) can reduce the amplitude of the business cycle and length of the downward wave. However, interest rate- and tax-cuts are weak in combating unemployment, and direct subsidies are open to manipulation by big business and politicians. More generally, struggles over values and resources and relational positions within the bureaucratic arena of the state tend to shape responses to economic fluctuations. After Richard Nixon’s re-election in 1972, some political scientists started to argue that in the period leading up to an election, politicians are likely to introduce expansionary economic policies to reduce unemployment regardless of the consequences; however, following a successful election, the party will introduce deflationary or neoliberal policies.⁶⁴ There is no evidence that political business cycles in this sense would be common.⁶⁵ Yet, the national-statist field can generate similar or analogical phenomena in different geo-historical contexts.

More characteristically, however, the field of *raison d’État* bends social space-time towards options (iii.c) and (iv). These options appear plausible in terms of limited local and particular knowledge, in contrast to the understanding of the totality of social relations and processes. Thus emerges the fallacy of composition. What is possible for one state in a given moment is not possible for

⁶⁴ Nordhaus 1975.

⁶⁵ However, there is some evidence that globalization, by synchronizing business cycles across space-time, is also synchronizing electoral partisan cycles; see Kayser 2009.

all or many simultaneously.⁶⁶ For instance, any attempt to export a slump to other countries by reducing imports and increasing exports, or by shaping equivalent financial flows, leads easily to a contradiction if everyone tries to do the same (and especially so if they are all experiencing the same downward wave spreading across the world economy). Similarly, a state may try to stimulate the economy and keep a “security margin” by spending more on armaments and keeping itself somewhat better armed than its (potential) military competitors. If all relevant states – or even two of them – tried the same, the result is an arms race and, then, possibly even war.⁶⁷

However, the classical Keynesian options (iii.a) and (iii.b) can also be problematical in a world of multiple territorial states within an interconnected global political economy. Keynes aptly observed that “in an open system with foreign-trade relations, some part of the multiplier of the increased investment will accrue to the benefit of employment in foreign countries; [...] so that, if we consider only the effect on domestic employment as distinct from world employment, we must diminish the full figure of the multiplier.”⁶⁸ From a one-sided short-term perspective, this decreases the attraction of Keynesian demand management even during those geo-historical moments when the social/democratic field is strong, unless states can and will somehow co-ordinate their activities.

Moreover, no strategic situation is fully symmetrical. States’ on-going circumstances, relative size, level of development and positioning vis-à-vis world markets and finance varies. The concrete consequences of different options vary accordingly from state to state. Moreover, structural power translated into double standards can help to avoid these fallacies and contradictions – or at least postpone their causal effects. Quite effortlessly, deep-seated meaning structures and self-centric imaginaries can be harnessed to telling stories about one’s unique role, responsibility, or suffering, thus justifying attempts to improve one’s situation at the expense of others. One-sided story-telling can thus make it difficult to recognize the fallacies of composition and other contradictions.⁶⁹ These illusions are logically independent from those of the liberal and social/democratic fields, but through *habitus* and practices, often closely connected to them.

For instance, within the field of economic liberalism, state-actors, taking for granted the structural power of transnational capital, tend to define states’ strategic short-term interests in terms of “competitiveness,” which is a variation

⁶⁶ For a discussion on the fallacy of composition, see Elster 1978, 97-106.

⁶⁷ For Richardson’s arms race model, see Rapoport 1960, 15-30.

⁶⁸ Keynes 1961, 120.

⁶⁹ A case in point is the hegemonic stability theory (HST) that was popular especially in the US in the 1970s and 1980s; see Kindleberger 1973; Krasner 1976; Gilpin 1981. HST is basically a mythic narrative of how the good of the whole world is dependent on the benevolence and unique politico-economic resources and military might of the US; see Grunberg 1990. Interest in the HST has waned also because of contradictory and inconclusive results, further indicating its illusionary nature.

of the “business confidence” theme of orthodox liberalism.⁷⁰ If the assumption is that there is a given fixed pool of global investments and the point is to attract a maximal share of it into one’s own territory to keep up the pace of economic growth, this is clearly an example of the fallacy of composition. In fact, global realities are even more deeply interconnected and complex than revealed by this simple fallacy. Global investments and activities of production oscillate around a long-term growth trend that is by no means given but is rather dependent itself on the overall causal effects of the three global political economy fields operating through all the states simultaneously.

Since the early 1970s, due to the re-amplification of the field of economic liberalism, the world has seen a long downward wave in the rates of investments and growth. Within the overall slackening growth-trend there has not only been unequal growth, concentration of resources, and in many sectors oligopolization / monopolization of world markets, but also strong oscillations with increasing amplitude. Volatility has risen especially strikingly in finance.

Holomovement: collective learning and the dialectics of fields

Geo-historical change occurs through the “dialectic of social structures and structured, structuring dispositions through which schemas of thought are formed and transformed.”⁷¹ *Habitus* is both a structured effect and structuring capacity and disposition, which emerges through a process of cognitive and moral learning that every individual has to go through in a somewhat unique way across various contexts. Ultimately, though, the ground of this process lies in the collective history of humankind. The individual and collective learning-processes are engendered by conceptually organized actions upon reality that are causal and transformative; and by natural and social reality’s subsequent structuring effects on the categorical and conceptual schemata that actors rely on to make sense of the world and organize actions and relations.⁷²

The three fields of global political economy are dynamic structures comprising embodied actors and geo-historically situated practices and institutions within which actors are positioned. Once a thing or substance such as a field exists, it has powers to manifest particular properties X and produce outcomes O, although the properties do not necessarily have to be manifest, or outcomes actual. The characteristic properties and outcomes are trans-factual; that is, they take place across a variety of factual states of affairs. However, the properties and powers of these fields are not constant. A power can be lost or diminished through some temporary or permanent change in the nature of the inner structures involved in generating the field.⁷³ As the three fields are generated by

⁷⁰ See Palan and Abbott 2000; cf. Campbell and Pedersen 2007.

⁷¹ Bourdieu 1990, 41.

⁷² See Lizardo 2004, 385.

⁷³ Harré and Madden 1975, 95.

the *habitus* of actors and by the cognitive and ethico-political schemes and collective learning embedded in social institutions, human learning changes them, and the way they organize social space and time.

The capacity for spontaneous learning indicates that cognitive developments tend to be contagious, especially in a conducive social context. Thus once cognitive developments have occurred somewhere, they are liable to spreading. Learning and social context are mutually constitutive. Learning via social interaction of groups leads to social changes – exceptionally swift compared to the pace of biological time – and to new ways of being in the world. *Holomovement* refers to the developing whole that enfolds or carries the meaning or content of the complex and subtle structures that generate the causal processes through which its forms and parts are determined.⁷⁴ The inner code of this movement has to do with human learning and is, arguably, leading towards a generic disposition and capacity that can be called *holoreflexivity*. It involves a holistic analysis of mechanisms, structures and processes of the whole which is not only global but also planetary. “It is global in that it encompasses all social groupings, communities cultures and civilisations, and planetary in that it comprises the totality of relationships between the human species and the rest of the biosphere.”⁷⁵ The forms and parts of the whole are autonomous / heteronomous to varying degrees, but their relative autonomy and heteronomy is transformed and metamorphosed by the causal process of the determination of the whole. Different parts, such as states, are merely aspects of this whole which can only be adequately relevelated in terms of the holomovement itself, rather than in terms of disjoint and separately existing things in interaction.

The structurally conditioned dialectics of the three fields determine not only changes in the prevailing economic policies and discourses but also tend to prompt improvising and innovative responses that can lead to collective learning, also through political struggles. However, learning can also be regressive, and historical lessons can be forgotten and unlearned. A case in point is the process of neoliberalisation that has meant the relative strengthening of the liberal field. Neoliberalism is a program of resolving problems of, and developing, human society by means of competitive markets. The neoliberal program consists of in some ways contradictory theories, all of which can be developed into different directions; yet they all posit competitive markets as superior in terms of efficiency, justice or freedom, or any combination of them. These theories include market-libertarian political philosophies; the standard, textbook-version of neoclassical economics; and the New Public Management philosophy of “modernizing” the public sector.

For instance, Friedrich Hayek’s political philosophy is explicitly normative and ideological, aiming at an ethico-political return to the 19th century ideals, whereas

⁷⁴ The concept is adopted from Bohm 2002, 197-9.

⁷⁵ I agree with Camilleri and Falk 2009, 535-8 that holoreflexivity is the next logical step in the mutually reinforcing processes of complexification and increasing reflexivity.

mainstream neoclassical economics relies on formal models and technical claims such as the first theorem of welfare economics, and can take into account Keynesian considerations particularly through the ISLM-synthesis of standard neoclassical theory and Keynesianism (ISLM stands for a formal model of simultaneous equilibrium of planned savings, planned investments, liquidity preference, and money supply). Neoclassical economists see free markets as efficient with particular, limited exceptions, but are not necessarily confident about the benefits of bureaucratically simulated markets within organizations, advocated by the New Public Management thinkers.⁷⁶

These ambiguous and context-specific ideas and theories are not only constitutive of a typical neoliberal *habitus* but also they provide the formative cause of the early 21st century field of economic liberalism. Neoliberalism is different from the earlier forms of economic-liberal *ortodoxa*. At the time when growth-oscillations reach a downturn, the ISLM-synthesis can enable a somewhat Keynesian response, although mostly in line with options (ii) rather than options (iii) of Figure 2. Similarly, the prevailing institutions are specific to the early 21st century geo-historical context. Although several institutional changes and financial innovations have reversed the legacy of the reforms in the 1930s-1940s (including the legacy of war finance), many qualitative differences remain. Governments are much bigger than they were in the 1920s, implying a greater capacity and liability for deficit once a downturn occurs. In times of deficits, large government debt increases rapidly. Central banks are now primed to intervene quickly as the lender-of-last-resort.

In the course of the process of neoliberalisation and the long downward wave that started in the 1970s, which has been accompanied by an increasing concern about the ecological and planetary limits to economic growth, the potential for financial volatility and larger amplitude in the overall economic oscillations has increased significantly. What also made the 2008-9 crisis especially potent was (i) that it occurred in the US and Europe, and (ii) that it was to a significant degree synchronized with various other developments across financial markets and world economy. Had the liberal field remained unchanged since the late 19th century, the world is likely to have fallen into another Great Depression. This would have amplified the social/democratic field, but it could also have triggered the more destructive powers and properties of the national-statist field. The crisis came close to a disaster – for a while it was a 50-50 situation – but the automatic Keynesian stabilizers, rescue packages, and explicit ISLM-type policy instruments seem to have been sufficient for avoiding the deepening of the crisis. The crisis has provoked at least a temporary and partial shift in the burden of proof towards the liberal *ortodoxa*. However, in the institutions re-structured and re-organized in line with the characteristic directions of the liberal field, competitive markets continue to be seen as superior in terms of efficiency, justice and freedom.

⁷⁶ For an analysis of neoliberalism in its various manifestations, see Patomäki 2009.

Meanwhile, since the late 19th century, the vectors of the social/democratic field have also gone through various transformations. For instance, the Marxist strand of *heterodoxa* used to be based on the labor theory of value (LTV). LTV made sense in a context where the nation's quantity of gold or silver was taken as the cause of its wealth; or where land-owners were arguing that land is the source of all value. The point of LTV was reformist and based on a true insight that wealth has to be produced in terms of work / labor. Yet, the proponents of LTV were also trying to identify a simple external measure of value. They could not see value in post-conventional – or critical-reflexive – principled terms as something created through social practices and in relation to changing human needs, wants, classifications and judgments. Labor does not provide a simple yardstick with which linear “value” can be measured. Moreover, things and services have to be produced in terms of diverse materials and technologies, which are socially organized into a complex worldwide division of labor; and this production occurs within the planetary biosphere.

The abandonment of the labor theory of value – as a result of collective learning occurring since the late 19th century – has mutated the liberal and social/democratic fields. Late 19th century neoclassical economists such as Leon Walras and Alfred Marshall dismissed LTV as mere sophistry and borrowed from physics to explain market prices in terms of “supply” and “demand.” Especially when combined with a subjectivist theory of values, however, this move opened up the possibility of reducing all values to market prices and of seeing commodification as the best way of creating a commensurable measure of value (yet another attempt to identify a simple external measure of value). The push for reducing all values to actual market prices or equivalent, and for the commodification of everything, has become especially strong within the contemporary field of economic neo-liberalism.

The new context and its intellectual resources have also grounded Kaleckian and Keynesian theories. Kalecki felt a strong distaste for the LTV, which he considered metaphysical.⁷⁷ Keynes too rejected the LTV, but did not adopt the standard neoclassical theory either. Keynes' own theory of value is open to interpretations. Like neoclassical economists, in his theoretical works, Keynes focused on explaining various prices determined by supply and demand. However, Keynes also maintained that all valuable things are produced by labor with the aid of technique and natural resources; and that values also express the temporal constitution of society. In a reflexive manner, Keynes saw savings, interest, investment and liquidity preference as links between the present and the future. Moreover, Keynes also thought that values do not concern only commodified objects but, importantly, include also Kantian morality (“treat others as ends, not as means”), freedom, justice, peace, and good life; and that

⁷⁷ See Toporovski 2004, 217 *et passim*.

ethical and political values can be discussed rationally. Keynes also anticipated a post-growth and post-capitalist economy.⁷⁸

Since the last quarter of the 20th century, the inner generative dynamic structures of the social/democratic field have been gradually transformed in response to the crises of the 20th century and, more recently, to the re-ascendance of the liberal field. The still on-going amplification of the latter field has resulted, at least in part, from the spatial extension of economic activities and relations (or what is often called globalization). A *holoreflexive* response is to extend the spatial scale of the Kaleckian-Keynesian alternatives and to re-articulate them in global terms. The process started early in the early 20th century⁷⁹; it has been reinforced since the 1960s; and continues.⁸⁰

When the Bretton Woods system was facing mounting difficulties, Robert Triffin argued for a new global monetary system and for the establishment of international reserves, constituting a step in “the long march of mankind toward its unity and better control of its own fate.”⁸¹ Twelve years later, an independent commission led by Willy Brandt developed global institutional responses to global economic and ecological problems – the latter becoming increasingly acute as global economic growth continues – arguing for a systematic global redistribution of wealth. Noteworthy is that the Brandt-reports adopted elements of a new planetary imaginary involving processes of codification, objectivization and totalization.⁸² All this seems in accordance with the generic collective learning process of humanity: ethico-political orientation becomes increasingly cosmopolitan and is seen as fully apt only for world citizens.⁸³ It is thus not surprising that since the 1980s, the list of global-Keynesian works and proposals has grown extensive, indicating potential for a new era.⁸⁴

⁷⁸ In terms of Kohlberg 1973 and Habermas 1990, Keynes expressed stage 6 post-conventional stage of moral learning. He argued for redistribution of wealth and partial socialisation of investments for the sake of social justice and efficiency. In the longer run, however, Keynes also hoped for a society where “we shall once more value ends above means and prefer the good to the useful.” The owners of capital may be rewarded as long as capital is scarce, but given growth and accumulation of wealth, the rentier function should cease to exist and profit-motive should lose its importance. “The economic problem is not a permanent problem of the human race.” Keynes 1961, 213-21, 372-84; Keynes 1963, 366, 372.

⁷⁹ For instance Hobson, 1988 [1902]; Keynes 1920; for a discussion, see Markwell 2006.

⁸⁰ For example, Ward 1966 develops globalist metaphors on global-Keynesian premises. Also a school of global monetarism emerged at this time, extending the spatial scale of more orthodox responses in terms of stable global money supply; Whitman 1977. Cf. Moore 2004.

⁸¹ Triffin 1968, 179.

⁸² Brandt 1980; see also Brandt 1985 and Quilligan 2002.

⁸³ Wendt 2003, 510-16, relies on Hegel’s metaphorical story about the “struggle for recognition” in arguing that only a global political community can ensure an equal, symmetric and stable collective identity and solidarity. From the point of more empirically based and analytical works of Piaget, Kohlberg and Habermas, one can say that at the critical-reflexive level of reasoning, morality and general ethico-political principles must have validity and application apart from (i) the authority of the groups or persons holding these principles; and (ii) apart from the individuals own identification with any particular groups or institutions.

⁸⁴ There is no space for even a partial list of works that address issues of economic theory and policy, efficiency and rational governance, justice, freedom, democracy, sustainability or good life from a broadly global-Keynesian perspective. Köhler 1998 provides a list of some well-known works in

Conclusions

In this paper, I have taken conceptual steps towards integrating insights of economic theories with critical-reflexive GPE in terms of historically evolving fields of global political economy. Admittedly, the concepts I have introduced remain abstract and are in need of further specification and translation into exact empirical claims. However, the point has been to sketch, in the most general possible terms, a framework of analysis that has the potential of overcoming the fragmentation and antinomies that are characteristic to the academic fields of IPE and GPE.

I have also introduced the concept of holomovement, which means the evolvment of the global political economy and human history as a whole. Holonomy is the causal process of determination of this whole, whereas holoreflexivity refers to the holistic analysis its mechanisms, structures, flows and processes. In this framework, the inner code of the evolving global political economy comprises the structures of human learning that co-generate the causal processes through which the forms and parts of the whole are being determined. The inner code is responsive, albeit often only indirectly and through complicated mechanisms, to the real causal effects of the prevailing social practices, mechanisms and institutions.

It should be stressed that this field-theoretical framework allows for the possibility that the global political economy as a whole does not always satisfy the superposition principle. In other words, its output is not necessarily proportional to its input. Thus, although conditioned by the structural discrepancy between territorial states and global economy, and by the prevailing levels of ethico-political learning, the amplification of the field of economic liberalism has been a path-dependent process. Had Willy Brandt's green global-Keynesian vision prevailed in the early 1970s over Richard Nixon's unilateralism and neo-liberalism, the path of world history would have been different. Instead, the "population" of the economic-liberal type of *habitus* has grown exponentially due to the positive feedback loops that stem from the realization of institutional arrangements characteristic to the liberal field. These arrangements generate power- and other effects which can reinforce field's potential, in the absence of counter-forces.

However, there are several reasons why this "population"-growth is likely to be unstable. Learning from crises is a key reason. Strong oscillations with increasing amplitude around a decreasing growth-trend can swing the burden of proof towards *ortodoxa*, especially at the time of an acute crisis. There is also potential for deeper crises generated by an interaction of the three fields. Illusionary and fallacious responses to changing conditions and circumstances can lead to escalation of conflicts. The way the fields have come to be laid out in the early

21st century implies a significant danger of cataclysmic interactions among the fields. The process may result in a global ecological or military catastrophe.

The generic fields of global political economy co-exist across the spaces of various modern intellectual and organizational fields. Each sub-field is also a “game” or “battlefield,” in which actors struggle over resources and positions. The newcomers not only experience mechanisms of adaptation but also have an interest in challenging at least some of the assumptions of the *ortodoxa* and the taken for granted assumptions it contains. Actors are aware of the conditions and circumstances of their own activities. Asymmetric relations of power may make it difficult to express heretic opinions publicly, but this can create volatile divergences between public (front) and private (back) spaces and a lot of stress within an individual *habitus*.

In general, an inconsistency between an achieved stage of cognitive-moral learning and the level presupposed by the social context in which one is acting can create stress. Stress in this context is a measure of the intensity and internal distribution of emotionally powerful critical – and often contradictory – reflections within a *habitus*; while *habitus* is always conditioned by, and adapting to, the power mechanisms of the relevant fields. Stress beyond a breaking point can lead to either depression and incapacity to act or, alternatively, to open rebellion against the *ortodoxa*. Collective responses depend on how different causal rhythms, operating at different layers of complex reality, coincide.

Human learning is not only a conditioned but also a spontaneous process. Actors can learn from experiences, which are met, perceived and interpreted through the learnt schemata of perception, prototypes, categories, metaphors and framings. The relevant experiences can also be closely related to the on-going everyday processes, rather than just stemming from sudden conjunctures and crises such as economic lumps and depressions, or wars. However, when assessing different articulations of experiences and understandings, actors may feel a lot of uncertainty about what is illusionary and what is real. The distinction between front and back regions of social interactions tends to limit what can be publicly displayed, thus adding to the confusion. However, once the self-reinforcing feedback loop of conformity and obedience starts to work in the opposite direction, also through mass-media, it may quickly turn out that the main illusion was the appearance of conformity itself.

The underlying learning process is at the heart of the planetary *holomovement*. The inner “code” of the whole evolves and creates bursts of concrete geo-historical processes through which its forms and parts are transformed and metamorphosed. If my argument is even roughly correct, world history is likely to prove neo-liberalisation – i.e. the re-amplification of the field of economic liberalism – as a relatively short-lived phase. The transformation and metamorphoses of the systems of global governance can come about via crises or even catastrophes, and clearly at least some sort of major triggers are required to initiate these processes, but the holomovement itself is more deeply grounded.

The process is, of course, uncertain and open-ended because of the open-systemic nature of social realities. A key question has to do with the issue Keynes and Kalecki discussed, concerning the viability of Keynesian policies and orientations within capitalist market economy. Would a globalized system of green Keynesian governance be sustainable, despite the ubiquitous tendencies towards concentration of wealth and power in a system based on the primacy of private ownership of means of production? What kinds of institutional forms and arrangements could simultaneously (i) countervail these tendencies and (ii) enable further collective learning and, thus, take the holomovement of human history progressively forward, involving also a reconsideration of our place in the biosphere? How can we get back to the future without the risk of falling back to the *ortodoxa* of economic liberalism once more? To answer this and other important questions, we need to make the field-theoretical framework more concrete and, also, to elaborate on it theoretically.

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