

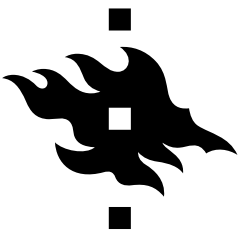
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# TOWARDS AN INTERNATIONAL CLEARING UNION (AT LAST)?

NORMATIVE UNDERPINNINGS AND  
ELEMENTS OF INSTITUTIONAL DESIGN

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# TOWARDS AN INTERNATIONAL CLEARING UNION (AT LAST)? NORMATIVE UNDERPINNINGS AND ELEMENTS OF INSTITUTIONAL DESIGN

**Abstract:** The present article constitutes the first contribution to the Academy of Finland’s ongoing project *How to overcome tendencies toward trade wars? A multi-method study about institutional designs for an International Clearing Union* (01.09.2021–31.07.2025). The aim of the paper at hand is to lay the groundwork for subsequent research on ICU designs. First, the key normative underpinnings and institutional elements of a few of the most prominent existing ICU proposals (made by John Maynard Keynes, the Brandt Commission, Paul Davidson, and Joseph Stiglitz together with Bruce Greenwald) are outlined. The proposals are then assessed from the perspective of democratic, ethico-social, and existential concerns humanity faces. Although each proposal is found to have its own merits, none of them turns out to be fully satisfactory in all relevant respects. Besides eliminating trade wars, it is concluded that an appropriately designed International or *Global* Clearing Union could play a helpful role in resolving many other potentially fatal current and future issues.

## INTRODUCTION

In terms of global monetary and macroeconomic governance, the half century following the demise of the post-Second World War Bretton Woods arrangement in 1971 has been characterised by substantial systemic fragility (leading to regular financial and other economic crises) and a lack of effective cross-border coordination (including in preventing and responding to the crises). In broader political economy terms, the post-1971 era witnessed a thoroughly documented rise of global “neoliberalism”, which in turn has been associated with widespread loss of state and democratic autonomy. These developments have deepened inequalities, fuelled trade wars, and undermined public regulations. More generally, the lack of adequate global governance has fostered shorttermist and self-centred behaviours both across and between nations, and thereby escalated global catastrophic or even existential risks (including, most acutely, climate change, mass ecosystem collapse, and deployment of nuclear weapons).<sup>1</sup> From any decent nor-

<sup>1</sup> The risk of a nuclear apocalypse, dating back to the Manhattan Project’s Trinity test (1945) – and terri-

mative point of view, these trajectories are concerning or outright alarming.

There is a growing sense that the so-called neoliberal era might gradually be coming to an end, even if it is yet unclear how peacefully the transition to a new era will occur. It is apparent that mere changes in individual policies, or even governance approaches, are not enough to turn the course of long-term global development into a sustainable and normatively desirable direction. For this, new common institutions, including at the supranational level, are urgently needed. Such institutions could constitute some of the first concrete steps beyond the current nation-state-centric organization of, for instance, monetary and macroeconomic governance – in their present forms sources of, rather than buffers against, many of the troubles that humanity faces.

John Maynard Keynes's (1943/1969) pioneering proposal for an International Clearing Union (ICU), developed in the context of the Bretton Woods negotiations, could some updated version of it be implemented, would amount to one important such institutional step. By now, several versions of the ICU – all building on Keynes's original plan and broader Keynesian economic theory to varying degrees – have been proposed. Despite their largely shared intellectual origins, these ICU proposals also differ from each other in some crucial respects, including in terms of their ethical, political, and economic commitments, as well as in terms of their implications for concrete institutional design.

In what follows, I will (1) outline central (a) *normative* underpinnings and (b) *institutional* elements of a few of the most prominent of the existing ICU proposals, and then (2) briefly assess how promising their underpinnings and suggested institutional designs seem from the perspective of (a) *democratic*, (b) *ethico-social*, and (c) *existential* concerns humanity currently or soon faces – key criteria against which all contemporary attempts at developing macroeconomic governance further should arguably be evaluated (my prospective PhD dissertation makes a detailed case for focusing on these three sets of concerns). For the purposes of the discussion below, I will assume that the

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fyingly acute now yet again given the outbreak of an erratic all-out war in Ukraine –, was the first genuine risk that humanity imposed on its own long-term survival (numerous purely natural risks, such as those posed by asteroids and comets, have “always” been there, even if our knowledge of also them is very recent). Other key current anthropogenic global catastrophic or existential risks relate to a range of environmental threats linked to human-induced global warming and biodiversity loss (a likely sixth mass extinction). Potential future risks include for instance engineered pandemics and uncontrollable artificial general intelligence. In Ord's (2020, 37, emphases in the original) recent definitions, an “*existential catastrophe* is the destruction of humanity's longterm potential” and, accordingly, an “*existential risk* is a risk that threatens the destruction of humanity's longterm potential”. *Global catastrophic risks* include, but are not limited to, existential risks. In a standard loose definition, these broader risks have “the potential to inflict serious damage to human well-being on a global scale” (Bostrom and Ćirković 2008, 1). For other definitions and an interesting history of Existential Risk Studies, see Beard and Torres 2020. This is an emerging field to which Global Political Economy, Security Studies, and International Relations have a lot to contribute.

reader knows the basics of Keynes's economic thought (as opposed to its ethical, political, and philosophical underpinnings). Questions about feasibility of ICU proposals deserve a separate treatment and are thereby largely left for further work.

Given that all subsequent ICU plans are modifications of the Keynes's 1943 plan (and thereby inherit most of also its normative assumptions) it makes sense to start with, and focus much of the attention on, this original proposal. In contrast to most of the later economists that have developed his plan further in mainly technical terms, Keynes wrote hundreds of pages on ethics, politics, and even more abstract branches of philosophy.<sup>2</sup>

## I JOHN MAYNARD KEYNES'S ORIGINAL PLAN

Keynes put forth his first detailed ICU plan in September 1941 and it went through several revisions during 1942–1943. Along with the White Plan, the Keynes Plan was published in April 1943 (Keynes 1943/1969, 19–36; see also Markwell 2006, 240). Both plans shaped the post-war Bretton Woods system, but Keynes's ICU proposal was never implemented. Let us examine some of its key normative underpinnings and institutional elements.

**(1a)** Although Keynes's works contain deep ethical and political insights, he never provided fully fleshed out theories of well-being, right action, (distributive) justice, just war, democracy, or related normative topics. It would be overly ambitious to think that it would be possible to reconstruct such theories from the somewhat scattered pieces he left. To guide us in gaining a broad picture of Keynes's normative views and assumptions, there are however many useful discussions on his beliefs about well-being and ethics (see e.g. Carabelli and Cedrini 2011; Mini 1991), as well as normative political theory, including questions relevant for international relations (see e.g. Markwell 2006).<sup>3</sup>

In discussing commitments that may reasonably have underpinned Keynes's ICU proposal, we should arguably put most weight on the views he expressed publicly between his mature *General Theory* (1936) and the final published ICU proposal (1943) itself. As for instance Donald Markwell (2006) well documents, Keynes's thought about international (trade) governance evolved in different directions and in several phases from early 1900s to 1936 – reflecting the development of his own (attempted) revolution in economic theory. If we can find no textual evidence that Keynes *continued* to hold

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<sup>2</sup> As with Adam Smith, Karl Marx, and many of the classical political economists, Keynes's underlying interests and much of the training were in philosophy.

<sup>3</sup> In addition, there are of course very thorough overall biographies of Keynes, such as those written by Robert Skidelsky. Also Keynes's own writings are very accessible.

any one of his earlier views on these topics, we may often be wise to suppose that he did not (although the mature Keynes does occasionally refer back to his earlier writings also affirmatively).<sup>4</sup> No major further change of views on the basic approach to international governance (or economics) seems to have occurred during 1936–1943.

Keynes's basic ethical views, by contrast, may have remained more constant, as for instance Anna Carabelli and Mario Cedrini (2011) argue – and as Keynes (1938/1972) partially confirms. This certainly allows us to cite for instance the “Economic Possibilities for Our Grandchildren” (1930/1952, 358–373) and possibly even some of his much earlier writings relevant for grasping the ethics of ICU.

Judging by a selected set of Keynes's writings between 1930–1943, the *normative underpinnings* of his ICU proposal include (but are certainly not limited to):

- A commitment to certain specific accounts of *human well-being* as well as *normative and practical ethics*<sup>5</sup> (and related notions and principles):

(1) A rudimentary multidimensional *objective-list theory of human well-being* drawing for instance on Aristotle and G.E. Moore (see Carabelli and Cedrini 2011).<sup>6</sup> Keynes's (1930/1952) views about “the real values of life” are clearly incompatible with competing hedonist and desire-fulfilment theories (on this standard threefold distinction between theories of well-being, see e.g. Crisp 2021; Parfit 1984, 493–502).

(2) Some further notion of the good of the *whole* society and, by extension, even humanity (and related ideas about social, global, and even long-

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4 Although all people obviously have beliefs that they do not (repeatedly) affirm in writing (or are even aware of), the epistemologically most cautious approach is to focus on the views we have clear evidence Keynes believed towards the end of his life. Of course, there are for instance important partial parallels between Keynes's approaches to the aftermaths of the First and Second World Wars, as also Markwell (2006, 268–270) recognises.

5 In terms of *metaethics*, Keynes was, and in some ways always remained, profoundly influenced by G.E. Moore's *Principia Ethica* (1903/1993). Moore's famous metaethical attack on hedonism (1903/1993, Chapter 3) helps to account for Keynes's persistent anti-Benthamism that influenced even the *General Theory* (Mini 1991). His reading of Moore also explains Keynes's early idiosyncratic distinction between “speculative” and “practical” ethics, parts of his longstanding interest in uncertainty and probability, and perhaps even his style of doing economics (Carabelli and Cedrini 2011; Davidson 2007, 5–6). As Keynes (1938/1972, 435) explains, Moore's *Principia* “dominated, and perhaps still dominates, everything else”, even if he now makes also important criticisms of Moore's views.

6 For Keynes, human well-being has definitive material preconditions but also calls for appreciation of friendship, love, beauty, truth, knowledge, and so on. Pleasure, goodness, and happiness should furthermore be distinguished from each other (all of which can be valuable but do not always coincide). In these respects, Keynes's value pluralism draws heavily on both Aristotle and G.E. Moore. Keynes also puts considerable weight on freedom in the sense of *autonomy* – both at the individual and social level (Carabelli and Cedrini; Markwell 2006). This commitment to autonomy is reflected in his non-utilitarian political liberalism (which in some respects comes close to even Hayek whom Keynes knew well).



term justice<sup>7</sup>), see e.g. Keynes 1930/1952; 1936/2009, Chapters 23 and 24; Keynes 1943/1969). For Keynes, attempts at deriving “general” interests from “particular” interests often constitute fallacies of composition (Carabelli and Cedrini 2011). Repeated calls for a more impartialist perspective. A longstanding belief in “a principle of organic unity through time” (Keynes 1938/1972, 436).

(3) An ethical commitment to *pursuing* the good of the whole society / humanity (and justice), even if *not* in the hedonist utilitarian spirit of Jeremy Bentham, see Mini 1991; at the same time, this commitment to social action is also in tension with the largely contemplative spirit of G.E Moore (Carabelli and Cedrini 2011; Keynes 1938/1972).

(4) The related (partially economic-theoretical) conviction that the good of the whole (or the demands of justice) cannot / should not be pursued solely through uncoordinated market actions of individuals (contra (neo)classical economists, individuals chasing their own perceived goods is unlikely to lead to the good of the whole).<sup>8</sup>

(5) Notions of reciprocity, mutual advantage, and (although Keynes predated game theory) implicitly even the possibility of “non-zero-sum” dynamics (despite the “zero-sum” nature of balance-of-payments accounting) (see e.g. Keynes 1936/2009, Chapter 23; 1943/1969; Markwell 2006).

(6) A commitment to certain broad moral principles<sup>9</sup>, applicable both nationally and internationally (and a derivative non-legalistic commitment to the rule of law, both domestic and international; see Markwell 2006, 193–195).

(7) An “antimoralistic” ethic<sup>10</sup>: thrift, hard work, accumulation of wealth,

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<sup>7</sup> “Though the ‘children of man’ are not yet born, their grandfathers should engage in the attempt to create a new international economic order able to combine sound thinking with the perspective of easing the ‘material burdens’ of their grandchildren” (Carabelli and Cedrini 2011, 340).

<sup>8</sup> Rather the “market is often at the origins of problems of fallacies of composition between particular and general interests, and cannot be invoked to solve them” (Carabelli and Cedrini 2011, 350).

<sup>9</sup> Some such principles are for instance the belief that it is not just to punish the offspring of wrongdoers for what their parents (or their rulers) have done (essentially a view delineating the scope of legitimate retributive justice) and a belief about the moral obligation of both authorities and majorities to respect the autonomy of individuals (see Markwell 2006, 192–195).

<sup>10</sup> Initially, this ethic was greatly influenced by the orientation of the so-called Bloomsbury Group of artists and thinkers (to which Keynes belonged and which drew from Moore and Russell), and is in many ways the mirror image of the Victorian ethic of Keynes’s youth (and even the “Protestant ethic” and related “spirit of capitalism” described by Max Weber (1905)). Even the mature Keynes (1938, 447) writes that he remains, “and always will remain, an immoralist” although his view of human nature was now far more

status, or social conventions have no intrinsic worth. As the merely instrumental “economic problem” is solved, humanity should start to concentrate on what is genuinely valuable, exciting, or interesting (Keynes 1930/1952; see also Russell 1935/2004). Relatedly, a “paradox of thrift” contributes to recessions and an “euthanasia of the rentier” should be a key goal of policy (Keynes 1936/2009). ICU’s novel onus on creditors – obligations on states with trade surpluses (see below) – arguably continues to reflect this ethic (as well as the related economic theory).<sup>11</sup>

- A tentative *social philosophy* stressing the need to eliminate involuntary unemployment and arbitrary wealth and income inequalities (Keynes 1936/2009, Chapter 24). Both are key objectives of also ICU (Keynes 1943/1969; Keynes 1941–1943/1980; Markwell 2006, Chapters 5 and 6).

- A broad *political* commitment to search for an alternative to both Bolshevism and Fascism, but also to laissez-faire liberalism and Marxian socialism (influences from e.g. Silvio Gesell) (Keynes 1936/2009, 234–236; Markwell 2006, 173–178).

- An apparent *idealism about international relations*, stressing the possibility of peaceful developments in world affairs, especially through the means of rational economic governance (a recurrent theme in Keynes’s writings from the 1910s to 1940s; see Markwell 2006<sup>12</sup>). This is well exemplified by the ICU proposal (Keynes 1943/1969).

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pessimistic (Freud was a key influence on Keynes’s later thought).

<sup>11</sup> A complete argument for creditor obligations, it seems to be, must include the following premises: (i) elementary accounting relationships hold (in double-entry bookkeeping, surpluses and deficits sum to zero); (ii) a causal account of global political economy according to which a simultaneous motivation of too many states to chase surpluses promotes trade wars and contractionary pressures on global demand, and thereby leads to sluggish growth, unemployment, and related political and social ills, including the threat of military conflict (here Keynes’s ideas on macroeconomics and international relations are relevant); (iii) a normative premise according to which these outcomes would be undesirable (this follows from almost any view in ethics); and (iv) another normative premise according to which there is no adequate ethical reason *why debtors rather than creditors* should bear the (main) responsibility for the undesirable outcomes and thereby have the sole (or greater) obligation to address the problem (it is in justifying this last premise that Keynes’s “antimoralistic” ethic can be very relevant).

<sup>12</sup> According to Markwell (2006, 191), “Keynes’s – – idealism may be seen in his attitude to nine issues: the possibility—indeed, the probability—of progress; pacificism; the rule of law; the League; the need to resist the ‘brigand powers’ and uphold collective security; the importance of public opinion; disarmament; the process of international cooperation; and the utility of economic weapons, especially as an alternative to war. Keynes’s beliefs were fundamentally similar to those of other idealists of his time, such as Zimmern, Murray, and Angell. Keynes had friendly dealings with these, and with many other of the prominent inter-war idealist writers, such as David Davies, Arnold Toynbee, Philip Noel-Baker, Leonard Woolf, Lord Lothian, and the American James T. Shotwell.” However, one can arguably read parts of Keynes’s writings as compatible with classical IR realism, perhaps along the lines of E.H. Carr.

- A broad *optimism about societal progress* through rational means (Keynes 1930/1952; Markwell 2006) combined with a more specific *Malthusian pessimism* about the trajectory and effects of population growth on quality of life and social stability, including for the prospects of peace (also a recurrent theme in Keynes's writings from 1910s until 1940s, see Markwell 2006, 165–169).

- A “mature” *liberal institutionalist governance ideology*<sup>13</sup> (the last phase of Keynes's thinking about IR and global economic governance these issues, according to Markwell 2006, Chapters 5 and 6) aspiring to:

(i) transcend both the doctrines of classical free trade liberalism and traditional mercantilist protectionism, and

(ii) develop institutional solutions that would allow for a *peaceful* liberal global trade regime combining a degree of national macroeconomic policy autonomy with certain international macroeconomic obligations.<sup>14</sup>

- A commitment to some notion of *liberal democracy* (stressing for instance the importance of autonomy and cultivation of public opinion, see Markwell 2006).

- A certain restricted notion of *ethico-political cosmopolitanism*<sup>15</sup>, which informs also the ICU proposal (Keynes 1943/1969; Keynes 1941–1943/1980; for a summary of Keynes's ambitious aspirations concerning supranational governance, see Markwell 2006, 259–261; see also Patomäki 2013, 138–193).

**(b)** The key *institutional elements* of Keynes's ICU plan (Keynes 1943/1969, 19–36; Markwell 2006, 233–247), reflecting both his theoretical and normative commitments, include the proposals that:

- all international trade transactions should be denominated in a new international currency, *bancor*

- *bancor* should be issued by a similarly novel *International Clearing Union*

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13 Selected elements of this governance ideology were institutionally “embedded” in the resulting post-WWII order (Ruggie 1982).

14 For Keynes, state autonomy does *not* entail a right to “bad-neighbourliness” – “It is an advantage, and not a disadvantage, of the scheme that it invites the member States to abandon [the] license to promote indiscipline, disorder and bad-neighbourliness which, to the general disadvantage, they have been free to exercise hitherto” (Keynes 1943/1969, 36). On the other hand, the ICU should not be “too grandmotherly” at the outset (Keynes 1941–1943/1980, 333).

15 For instance, during his work on the ICU plan, Keynes expressed a hope in “the new democracy of nations which after this war will come into existence, heaven helping, to conduct with amity and good sense the common concerns of mankind” (Keynes 1941–1943/1980, 269–270).

- bancor should replace all national currencies and gold for the purposes of international trade
- the exchange rates between bancor and gold, on the one hand, and bancor and national currencies, on the other, should be fixed in the short term but adjustable in the long term
- the countries who export more than they import during a certain period of time would *receive* bancor (and thereby run a positive bancor balance)
- correspondingly, the countries whose imports exceed their exports would *lose* bancor (and thereby run a negative bancor balance)
- the resulting bancor balances should be cleared multilaterally: all national central banks would have accounts in the ICU, which would allow it to settle their balances at bancor par value
- in settling the balances, the ICU should sanction both excessive trade deficits and – reflecting the guiding idea of creditor obligations – excessive trade *surpluses* (that is deficits or surpluses that exceed a certain threshold)
- countries with positive bancor balances should be incentivised to decrease their surpluses by spending more on the products and services of countries with negative balances
- alternatively, or in addition, these countries with positive balances should appreciate their currency and / or donate their excess bancor to a special *reserve fund*
- excess bancor balances should be directed to finance international efforts at reconstruction, investment, development, and aid (“a link between international liquidity creation and aid” (Markwell 2006, 246))<sup>16</sup>
- by contrast, the countries with a negative bancor balance would need to lower the exchange rate of their currency vis-à-vis bancor (which would lead to fewer imports and more exports)
- an allowance for overdraft facilities (proportional to the importance of a state’s foreign trade) to slow down the speed of adjustments
- an allowance, or under some circumstances a requirement, for capital controls
- as a result, full employment and some limited level of macroeconomic policy au-

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<sup>16</sup> Directly in terms of security, the ICU would contain an account for an international policy force as well as provisions for financial blockades (Keynes 1943/1969; Markwell 2006, 259).

tonomy (including in terms of exchange rate policy) in all countries would allow for mutually beneficial free trade

- despite the special position granted to its founders, the USA and Britain, the (preferably worldwide) ICU would not operate in the name of any state, but constitute a “a genuine organ of truly international government” (Keynes 1943/1969, 35)

**(2a)** What are some of the normative merits and weaknesses of Keynes’s proposal? From the perspective of (global) democratic theory, Keynes’s proposal can be understood to seek to enhance state autonomy (autonomy of governments), and thereby potentially also democratic autonomy (autonomy of citizens) – to the extent that governments *are* democratic. Importantly, however, Keynes effectively insists that such autonomy should come with important conditions – autonomy of any one state (or demos) must be made compatible with the autonomy of all other states (or demoi). “Free development of each” needs to be combined with the “free development of all”, as Marx and Engels put a broadly similar conception of autonomy with reference to individuals.<sup>17</sup> David Held’s (1995; 2006) “principle of autonomy” extends this idea to global politics, including interstate relationships. At the very least, no state is allowed to exercise its autonomy to “beggar its neighbour”, i.e. to literally impoverish or more broadly undermine the interests and autonomy of the neighbour (near or far<sup>18</sup>).<sup>19</sup> This idea has obvious affinities also with the liberal (no-)harm principle (Linklater 2006; 2011; on cosmopolitan conditions on legitimate national macroeconomic policies, see Kotilainen 2021a).

Although Keynes’s writings in general, and the motivation of the ICU proposal in particular, can be interpreted to reflect a restricted notion of cosmopolitanism, his preferred kind of supranational design of post-war institutions also contains problematic hints of technocraticism. Instead of a nationally organised and thereby explicitly polit-

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<sup>17</sup> As a longstanding liberal critic of Marxism, Keynes would probably have denied this similarity. Held (1995; 2006) points out important ways in which liberalism and Marxism are part of the same Western tradition.

<sup>18</sup> As Niina Kari helpfully alluded, the underlying idea here is (or should be) that the circle of moral and political concern ought to be expanded to people residing within the territory of *any* state. In other words, the term “neighbour” should be understood in a cosmopolitan sense (which arguably has something to do with even the biblical use of the word).

<sup>19</sup> As Markwell (2006, 140–141) puts it, “*The General Theory* suggested that the principal economic cause of war (the ‘competitive struggle for markets’) could be eliminated, and ‘unimpeded’ trade could be to ‘mutual (p.141) advantage’, if countries were able to maintain full employment. This was best done by simultaneous pursuit of national policies for full employment within an international monetary system which, unlike the gold standard, did not pit the interests of one country against another.” Typical beggar-thy-neighbour macroeconomic policies include competitive devaluations and austerity measures. Countless different kinds of national policies with potential domestic benefits can of course have detrimental cross-border effects (careless climate policies or hostile foreign policies are some obvious examples). Arguably also the word “beggar” should be understood in a broad sense.

ical arrangement – Keynes sought to avoid politicisation and favoured an “objective”, a technical and apparently non-political, supranational approach to the management of these institutions (Markwell 2006, 244–245).<sup>20</sup> While the aspiration to move beyond exclusive national control sits well with political theoretical cosmopolitanism, technocratic solutions clash with it. Relatedly, Keynes (1930/1952) seems to conceptualise the notion of rationality in terms of expertise of the few (rather than for instance in terms deliberative democracy – expertise of the many).

Moreover, Keynes’s liberal cosmopolitanism is restricted by a kind of political or institutional Eurocentrism, reflected in the Anglo-American terms he favoured for international cooperation (including the special position of the UK and USA in his ICU proposals<sup>21</sup>). Also intellectually and culturally, Keynes drew almost exclusively on the European tradition (and the British tradition in particular). These elements, too, are in tension with the more fleshed out versions of cosmopolitanism developed in recent political and democratic theory (even if they remain partially Eurocentric in several respects as well; for a discussion, see Held and Patomäki 2006). Some of the normatively problematic aspects in Keynes’s ICU design arise from his practical concerns about guaranteeing the feasibility of his proposal in the conditions of the Second World War – and especially about his concern for selling the plan to his home audience in Britain (Markwell 2006, 265).<sup>22</sup> In the conditions of 2020s, it is by contrast hard to see how an ICU style arrangement granting special powers to a few leading states could be (per-

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20 The efforts at avoiding overt politicisation that characterise the ongoing development that Jens van ’t Klooster (2021) calls “technocratic Keynesianism” are therefore not completely alien even to Keynes’s own orientation. However, van ’t Klooster (2021, 3) is, of course, right to stress that the mid-20th century shift towards Keynesianism, as a broad political and legal process, was *not* technocratic: “Although key technical decisions rested with unelected actors in central banks and treasuries (one of whom was Keynes himself), their efforts resulted in legislative action. International treaties codified new ideas about the governance of money into the design of the Bretton Woods institutions. Following changes to the international structure, central bank and banking laws were redrafted and navigated through parliaments.” To my knowledge, Keynes was also in favour of this kind of democratic process.

21 Keynes suggested, for instance, that the founder states should have certain voting privileges over other members and that the key institutional bodies should be located in these states. “In view of our experience and of our geographical and political position in relation to Europe, the United States and the British Commonwealth, we could justifiably ask that the head office should be situated in London with the Board of Managers meeting alternately here and in Washington” (1941–1943/1980, 134). “[T]here might be a provision, at any rate for the first five years, by which the British and American members when acting in agreement could outvote the rest of the Board” (*ibid.*, 135).

22 As Markwell (2006, 264–265) points out, other countries, including even the US, were less enthusiastic about the kind of Anglo-American dominance proposed by Keynes: “Indeed, the White Paper said that the ‘management of the institution must be genuinely international without preponderant power of veto or enforcement to any country or group; and the rights and privileges of the smaller countries must be safeguarded’”.

ceived) legitimate or be feasible.<sup>23</sup>

**(b)** Keynes’s rudimentary objective-list account of well-being sits very well with for instance the capability approach of Sen and Nussbaum (see Carabelli and Cedrini 2011; Martins 2014, 329–434; 2009; Sen 2015; relatedly, see Putnam and Walsh 2012). Both draw explicitly on Aristotle (especially *Nicomachean Ethics* (2014 [350-320 BC])). The capability approach is a defensible objective-list theory of well-being that is more explicit about the constituents of human flourishing – and thereby also several issues of social justice – than Keynes (see e.g. Nussbaum 2006; Nussbaum and Sen 1993; Sen 2009; although according to strict criteria, the capability approach does not amount to a “full” theory of justice either, see Robeyns and Byskov 2021).

**(c)** Keynes’s attitude towards the future has long been subject to considerable controversy. His (in)famous remark about all of us being dead in the “long run” was clearly intended as a critique of (neo)classical economists’ unhistorical conception of time rather than as an endorsement of myopia. However, Keynes’s (1930/1952) anticipations about the possibilities of future generations do include a recommendation that people should start to care less about the future (vis-à-vis the present) *when* “the economic problem” – the problem of subsistence – is solved (in about a century). At one level, Keynes evidently cares about the future – he hopes and believes that humanity can overcome the unnecessary problem(s) and backward morals of his own time.<sup>24</sup> At another level, his (*carpe diem*) idea about concentrating on the present easily conveys an impression about a disregard about the future.

In my diagnosis, the real issue in Keynes’s (1930/1952) vision of the future is an empirical and epistemological (rather than an ethical) one – Keynes does not yet see that the economic problem will soon be replaced or complemented with an *even graver* “existential problem” of humanity’s long-term survival itself<sup>25</sup> – first in the form of nuclear weapons during the WWII and soon also through ecological and other emerg-

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23 Normative demands on global institutions have arguably risen considerably since the end of Second World War during the time of which many current states were still colonies. Keynes’s support for an international policy force (Markwell 2006, 259) may also require new scrutiny from a legitimacy perspective. Overall, there are many signs that Keynes lacks an adequate theory of power, authority, and legitimacy.

24 Also in terms of more tangible projects, “in the long run almost anything is possible” (Keynes 1942/1980, 268).

25 Keynes (1930/1952) rather anticipates that the economic problem will give way for a completely different kind of “existential” problem: the question of what to *do* with one’s life (basically the problem of the so-called existentialists, such as Jean-Paul Sartre and Albert Camus). Keynes learned about nuclear weapons during the WWII, but given that he passed away in 1946, he did not see the emergence of other existential threats. As a Malthusian pessimist, he would undoubtedly have taken them as seriously as Russell and others did.

ing anthropogenic existential risks (ranging from engineered pandemics to AGI, see e.g. Ord 2020; Beard and Torres 2020). Just when humanity had developed the tools to overcome the primeval issue of *sufficient* subsistence, it encountered the novel issue of continued *existence!* While radical uncertainty about the future developments prevented Keynes from seeing this, it seems clear in retrospect that these new threats do not permit us to discount the relative value future – either ethically or economically – even if we could soon indeed overcome the economic problem. The existential problem does, however, reinforce Keynes’s call to reject other aspects of the profit ethic.<sup>26</sup>

In general, one can raise legitimate questions about how systematic or even mutually consistent Keynes’s normative commitments are (and how well or comprehensively they are reflected in his ICU proposal). At the same time, it is not easy to spot any obvious contradiction in his mature 1936–1943 vision. Although both its normative and institutional outlook should be clarified further and partially rethought<sup>27</sup>, Keynes’s pioneering vision provides the natural starting point for all subsequent ICU proposals.

## II THE BRANDT COMMISSION’S PROGRAMME FOR SURVIVAL

Soon after the Bretton Woods arrangement collapsed, the Independent Commission on International Development Issues, chaired by the former West German social democratic chancellor Willy Brandt (1913–1992), produced an important and subsequently widely cited report on international development issues. The so-called Brandt Report, published in 1980, documented the existence of a deep global divide in standards of living between the affluent North and the poverty-stricken South. The report also articulated a reasonable worry that this divide could trigger troubling political developments analogous to the 1930s. Very much in the spirit of Keynes<sup>28</sup>, the Commission warned that in the absence of shared values<sup>29</sup> and a global institutional response – including ICU style elements –, widespread poverty, unemployment, and related social curses could eventually lead to outright and mass-scale violence, including yet another world war.

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<sup>26</sup> I doubt that capitalist action has ever been driven by a longtermist ethic, except in the narrow economic and religious senses described by Keynes (1930) and Weber (1905). Most strikingly, there has been no interest in the long-term prospects of (this-worldly) human existence (let alone that of other species).

<sup>27</sup> This diagnosis of course applies also to Keynes’s economic theory that has been developed further by especially the post-Keynesians.

<sup>28</sup> The report mentions Keynes once: “While the western powers were committed to intervention in their home economies, they were determined to avoid the protectionism and ‘beggar thy neighbour’ policies of the 1930s, by creating a strong free-trade system; it was a combination of Keynes at home, and Adam Smith abroad.” (Brandt 1980, 36).

<sup>29</sup> There were hopes that the commission’s work could “contribute to the development of worldwide moral values” (as pointed by Brandt 1980, 7).



Worse still, some of the genuine risks to humanity's future survival were now evident.

**(1a)** The key normative commitment and primary objective of the Brandt Report – “a programme for survival” – is indeed nothing less than avoiding an existential catastrophe:

- Throughout, the report puts heavy and explicit stress on survival – “Our Report is based on what appears to be *the simplest common interest*: that mankind wants to survive, and one might even add has *the moral obligation to survive*” (Brandt 1980, 13, my emphases; Ord 2020, 42–57, argues that this obligation can derive from various sources, including obligations towards the present, future, and past people, as well as more cosmic lines of thought; see also Beard and Torres 2020; Bostrom 2013).
- According to the report, global catastrophic and existential concerns are relevant even in the short term: “our belief [is that] the two decades ahead of us [1980–2000] may be fateful for mankind” (Brandt 1980, 7). “Mass starvation and the dangers of destruction may be growing steadily – if a new major war has not already shaken the foundations of what we call world civilization [by the year 2000]” (Brandt 1980, 11).

“Reshaping worldwide North-South relations” to achieve global justice and well-being is the report's secondary objective – and simultaneously a key means to survival (along with “counteracting the dangers of the arms race”) (Brandt 1980, 8).

The report largely shares the broad optimism and rationalism of Keynes:

- Despite all “great risks” to the existence of future human civilization, the report's outlook is optimist rather than pessimist: “the mortal dangers threatening our children and grandchildren can be averted” and “we have a chance – whether we are living in the North or South, East or West – if we are determined to do so, to shape the world's future in peace and welfare, in solidarity and dignity” (Brandt 1980, 7).<sup>30</sup>
- “The debate between North and South has been continuing for some years: it is urgent that both sides should now work together in a programme based on action for a rational and equitable international economic order” (Brandt 1980, 270).
- A related belief in common visions despite initial differences: The members of the commission themselves “came not only from many parts of the world, but also carried with [them] differing convictions and different sums of experience, resulting from various fields of responsibility in political and economic life”, but through ex-

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<sup>30</sup> “One should not give up the hope that problems created by men can also be solved by men” (Brandt 1980, 10).

PLICIT deliberation nevertheless reached a “remarkable” “consensus” as they “found that [they] had gradually come to share a common vision of the kind of world [they] hoped for, and of some of the major problems to be overcome if [these] hopes were to be realized” (Brandt 1980, 7–8).

A belief in *common human interests* resulting from globally “interlocked” communities, jobs, and lives (Brandt 1980, 11)<sup>31</sup> and the related need for public education about these shared interests. Also the “*welfare* of nations” is “interlocked” (Brandt 1980, 18, emphasis).

A related notion of international or *global justice*:

- “International social justice should take into account the growing awareness of a fundamental equality and dignity among all men and women. Scientific, technological and economic opportunities should be developed to allow a more humane social and economic order for all people. Strong efforts should be made to further a growing recognition of human rights and of the rights of labour and international conventions for protecting them” (Brandt 1980, 25).

- A commitment to the post-WWII notion of *global responsibility for economic and social development* (Brandt 1980, 8) also for the sake of peace (an idea that Keynes had helped to shape).

- A further call for equitable inclusion of the South in the post-WWII framework of international institutions (reflecting its demand in early 1970s for a New International Economic Order (NIEO)).

A call for a *broad-based humanism* organised around “a belief in man, in human dignity, in basic human rights; a belief in the values of justice, freedom, peace, mutual respect, in love and generosity, in reason rather than force” (Brandt 1980, 12). This belief can draw on both religious and secular sources: “[t]he impulses from churches and religious communities as well as from humanism can strengthen worldwide solidarity and thus help resolve North-South problems” (Brandt 1980, 13).

**(b)** The monetary and financial reforms proposed by the Brandt Report (Chapters 13–15), as the entire report, aim at a less chaotic and more equitable global governance architecture and consist of the following key institutional elements (Brandt 1980, 74–75):

- *A system of stable exchange rates* (to ease cross-border trade and investment).

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<sup>31</sup> In a similar spirit, David Held (2010, 36) talks about “overlapping communities of fate”.

- *Provision of adequate global liquidity* (to reduce cyclical fluctuations, disincentivise protectionism, and to assist producers).
- *A smooth process for adjustment of balance of payments* (to allow for expansion rather than contraction of global economic activity).
- *A new approach to development finance* (to meet disregarded global needs, especially in the South).
  - (i) Based on the principles of *universality* and *automaticity* (rather than selectivity and case-by-case discretion).
  - (ii) Institutionalisation of international development cooperation on the way to *co-management of the world economy*.
- *A framework for large-scale transfer of resources* (to boost global trade, growth, and employment, and thereby to foster the prospects of peace and survival).

**(2a)** The Brandt Report is clearly cosmopolitan in its basic outlook – the interests and values of all people(s) and nations should matter equally. Moreover, many interests are ultimately shared even across the North-South divide – not least because of the common issue of survival. “Global questions require global answers; since there is now a risk of mankind destroying itself, this risk must be met by new methods” (Brandt 1980, 27).

The South should be included in the discussions, institutions, and actual decision-making on global governance and development. Moreover, the Brandt Report overcomes much of the (explicit) Eurocentrism of Keynes’s plan. In terms of its own organization, the membership of the commission was balanced in terms of the North-South divide – although it was still chaired by a Northerner (see Brandt 1980, 293–304).

Curiously from a cosmopolitan perspective, however, the report is somewhat ambiguous in terms of (the nature of) its commitment democracy – the word “democracy” is not mentioned in the entire document –, even if in many contexts the report makes calls for increased “participation” of either nations or people in different processes.<sup>32</sup> Of course, there may have been good geopolitical reasons for avoiding the word “democracy” as such. Be that as it may, one can plausibly argue that the “consensus” reached by the Brandt Commission emerged largely out of *elite* deliberation<sup>33</sup>, albeit of a cross-cultural sort.

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<sup>32</sup> The overall *spirit* of the report is very democratic, however: “The shaping of our common future is much too important to be left to governments and experts alone. Therefore, our appeal goes to youth, to women’s and labour movements; to political, intellectual and religious leaders; to scientists and educators; to technicians and managers; to members of the rural and business communities. May they all try to understand and to conduct their affairs in the light of this new challenge.” (Brandt 1980, 29).

<sup>33</sup> This same critique can obviously be made of the Bretton Woods negotiations.

**(b)** The report aspires to take human well-being, and related concerns for global and long-term justice, very seriously – indeed fostering them is the secondary objective of the report (next to survival itself, which demands a focus on the North-South issues). As a downside, the report tends to employ these notions as politicians usually do, i.e. with few or vague definitions. That said, I found no evidence that the report would contradict with the accounts of well-being and justice put forward by Keynes, Sen, Nussbaum, and others sympathetic to a broadly Aristotelian (capability) approach. It is, however, possible that the report does not contradict with some non-hedonist versions of for instance utilitarianism either – a logical contradiction is hard to come by. At least it seems clear that the report’s broad base humanism is committed to value pluralism (multiplicity of basic values)<sup>34</sup>, while it simultaneously rejects any simple value or (further) moral relativism (the idea that different people and / or cultures have their “own” basic values or moral norms that do not apply to others).<sup>35</sup>

**(c)** The report fares very well from the global catastrophic and existential risks perspective. It is clear from the outset of the report that its primary objective is to warn about risks to humanity’s future survival and try to address them. As mentioned, the report even points out that humanity might have a moral obligation, and not “merely” a shared interest, to survive. Indeed, linking the issues of global development and macroeconomic governance to the issues of survival is the key contribution of the report.

As potential existential risks (or their triggers), the report views large-scale (nuclear) warfare, but also “chaos” possibly produced by for instance “economic disasters, environmental catastrophes, and terrorism” (Brandt 1980, 13). Many or most risks are linked to “world hunger, mass misery and alarming disparities between the living conditions of rich and poor” (ibid, 13). Economic and social developments are viewed as inexorably linked to foreign policies and military threats: “Could one be content to call something a ‘new world economic order’ if it did not include major progress towards disarmament?” (Brandt 1980, 14).

As a downside, the report does not attempt to assess the (evidential or Bayesian) *probability* of the risks it mentions (by contrast, see e.g. Ord 2020). Especially in retro-

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34 “[T]he new generations of the world – – need a belief in man, in human dignity, in basic human rights; a belief in *the values of justice, freedom, peace, mutual respect, in love and generosity, in reason rather than force*” (Brandt 1980, 12, my emphasis).

35 “[N]ecessary political decisions – – will not be possible without *a global consensus on the moral plane that the basis of any world or national order must be people and respect for their essential rights, as defined in the Universal Declaration of Human Rights*. Only if these ideas are sincerely accepted by governments, and especially by individuals, will the political decisions be possible and viable. This requires *an intensive process of education to bring home to public opinion in every country the vital need to defend the values without which there will be no true economic development and, above all, no justice, freedom or peace.*” (Brandt 1980, 268, my emphases).

spect one could easily argue that the report (implicitly) even suggests *too high* a probability for existential threats in the *short term* (1980–2000). The probability of these risks may remain relatively low even this or next century, which of course does not mean that they would not pose a serious threat in – and for – the long term.

### III PAUL DAVIDSON'S PATH TO ICU AND GLOBAL ECONOMIC PROSPERITY

Paul Davidson's late 20<sup>th</sup> / early 21<sup>st</sup> century proposal for an international monetary reform (see e.g. Davidson 1992-1993; 2004; 2009) draws more explicitly on Keynes's plan than the Brandt Commission did. Davidson is a key American post-Keynesian<sup>36</sup> economist whose has made contributions especially on the applicability of the notions of probability, uncertainty, and non-ergodicity in economics and finance. To my knowledge, Davidson has not written much explicitly about normative ethical or political theory.

**(1a)** Based on Davidson's evidently very broad agreement with Keynes (see e.g. Davidson 2007; 2009), we can assume that Davidson's ICU proposals inherit most of the normative underpinnings of Keynes's plan. Davidson (1992-1993, 155; 2004, 596–597) explicitly stresses the importance of Keynes's idea of creditor obligations – shifting “the *onus* of adjustment” from the debtor country to the creditor country. This indeed is perhaps the key normative principle of Keynes's ICU plan (which arguably reflects his long-standing “antimoralistic” ethic discussed above).

**(b)** Davidson (1992-1993, 158; 2009, 136) presents his updated proposal as more “modest” than Keynes's original plan. Most significantly, Davidson has had no need for a supranational central bank<sup>37</sup> (nor a fiscal authority or even a reserve fund). Instead of routine *taxation* of excess surpluses, his proposal has relied, at the first instance, on *voluntary* action on part of the creditor states to take responsibility for the adjustment of balance of payments. Only at the last instance – if the creditor states fail to comply altogether – their surpluses are “confiscated” (Davidson 1992-1993, 161).

To cite Davidson's (2004, 597–604, emphases in the original) clear presentation, the key elements of his proposal are:

“1. *The unit of account and ultimate reserve asset for international liquid-*

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<sup>36</sup> Davidson prefers the spelling “Post Keynesian” (as in the *Journal of Post Keynesian Economics*).

<sup>37</sup> “At this stage of the evolution of world politics – – a supranational central bank is not feasible” (Davidson 1992-1993, 157–158.)

ity is the *International Money Clearing Unit (IMCU)*. All IMCU's are held *only* by central banks, not by the public, in accounts on the books of the clearing union institution.

2. *Each nation's central bank is committed to guarantee one-way convertibility from IMCU deposits at the clearing union to its domestic money.* Each central bank will set its own rules regarding making available foreign monies (through IMCU clearing transactions) to its own bankers and private sector residents.

3. *The exchange rate between the domestic currency and the IMCU is set "initially" by each nation—just as it would be if one instituted an international gold standard.* Since enterprises that are already engaged in trade have international contractual commitments that would span the change-over interval, then, as a practical matter, one would expect that the existing exchange rate structure (with perhaps minor modifications) would provide the basis for initial rate setting.

4. *Contracts between private individuals will continue to be denominated into whatever domestic currency permitted by local laws and agreed upon by the contracting parties.* Contracts to be settled in terms of a foreign currency will therefore require some announced commitment from the central bank (through private sector bankers) of the availability of foreign funds to meet such private contractual obligations.

5. *An overdraft system to make available short-term unused creditor balances at the clearinghouse to finance the productive international transactions of others who need short-term credit.* The terms will be determined by the *pro-bono-publico* clearing managers.

6. *A trigger mechanism to encourage any creditor nation to spend what is deemed (in advance) by agreement of the international community to be "excessive" credit balances accumulated by running current account surpluses.* These excessive credits can be spent in three ways: (1) on the products of any other member of the clearing union, (2) on new direct foreign investment projects, and/or (3) to provide unilateral transfers (foreign aid) to deficit members. Spending by way of item (1) forces the surplus nation to make the adjustment directly through the balance on goods and services. Spending by way of item (3) permits adjustment directly by the current account balance; whereas item (2) provides adjustment by the capital accounts (without setting up a contractual debt that will *require* reverse

current account flows in the future).

7. *A system to stabilize the long-term purchasing power of the IMCU (in terms of each member nation's domestically produced market basket of goods) can be developed. This requires a system of fixed exchange rates between the local currency and the IMCU that changes only to reflect permanent increases in efficiency wages. This assures each central bank that its holdings of IMCUs as the nation's foreign reserves will never lose purchasing power in terms of foreign produced goods, even if a foreign government permits wage price inflation to occur within its borders. Consequently, the rate between the local currency and the IMCU would change with inflation in the local money price of the domestic commodity basket.*

8. *If a country is at "full employment" and still has a tendency toward persistent international deficits on its current account, then this is prima facie evidence that it does not possess the productive capacity to maintain its current standard of living. If the deficit nation is a poor one, then surely there is a case for the richer nations that are in surplus to transfer some of their excess credit balances to support the poor nation. If it is a relatively rich country, then the deficit nation must alter its standard of living by reducing its relative terms of trade with its major trading partners. Rules, agreed upon in advance, would require the trade deficit rich nation to devalue its exchange rate by stipulated increments per period until evidence becomes available to indicate that the export–import imbalance is eliminated without unleashing significant recessionary forces."*

**(2a)** Davidson's proposal is arguably somewhat less committed to political theoretical cosmopolitanism than Keynes's plan or Brandt Commission's even more ambitious global programme for survival. In addition to not including a supranational central bank, it "does not require surrendering national control of local banking systems and fiscal policies" (Davidson 1992-93, 158). Both monetary and fiscal policies would remain under national control (Davidson 2009, 136).

From my point of view (see e.g. Kotilainen 2021a), Davidson's proposal suffers from a few of the same issues than the standard nation-state-centric interpretation of Modern Monetary Theory (MMT) does, even if to a considerably lesser extent. For its credit, his proposal does look good in light of the "weak" formulation of what I, drawing on Held (2010) and Andrew Linklater (2006; 2011), have called the "*cosmopolitan condition on legitimate national exercise of monetary sovereignty*" (Kotilainen 2021a, 17). That is, Davidson's plan does require each state to exercise its rights to currency issuance and

macroeconomic policy in a fashion that is *compatible* with some basic cosmopolitan values and norms (no right to “bad-neighbourliness”, to use Keynes’s words) and does *not harm* or interfere with the ability of other states to conduct their own preferred versions of such policies. In Davidson’s own very clear words, “each nation still will be able to determine the best economic destiny for its citizens *provided* this destiny *does not negatively affect* employment and income-earning opportunities in trading partner nations” (Davidson 2009, 136, my emphasis).

While Davidson’s ICU proposal effectively builds on the weak formulation of the cosmopolitan condition, it does not live up to my “strong” formulation of the condition which calls “the national exercise of monetary sovereignty to *positively promote* cosmopolitan social democracy *both at home and abroad*” (Kotilainen 2021a, 17, my emphasis). This shortcoming results from the evident empirical fact that nation-states rarely if ever seek out to meet this version of the condition. For instance, the lack of an automatic tax on excess surpluses in Davidson’s plan implies that it is the creditor states – instead of an emerging global community – that by default decide *how* the surpluses are employed. A democratically run supranational reserve fund – which Davidson’s plan also does not include – would be in a much better position to use these excess surpluses (as well as newly created liquidity) to fund programmes that effectively promote broad and continued human flourishing than national governments are.<sup>38</sup> Such programmes could for instance seek to alleviate global poverty, inequalities in capabilities, climate change, and emerging existential risks. In other words, proposals that call for such a fund (and a supranational central bank) – including Keynes’s original plan – do better than Davidson’s updated proposal from the perspective of the strong version of the cosmopolitan condition (for a Keynesian statement of this version of the condition, see Tobin 1978, 159, final paragraph<sup>39</sup>).

I do not know whether the more national focus of Davidson’s proposal results *solely* from his practical considerations of political feasibility or whether Davidson’s underlying normative sympathies themselves are more national in orientation. Be that as it may, Davidson can certainly plausibly counter that in the present conditions his plan

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<sup>38</sup> Davidson’s proposal (see the 8. point above) includes the suggestion that “[i]f the deficit nation is a poor one, then surely there is a case for the richer nations that are in surplus to transfer some of their excess credit balances to support the poor nation.” I agree, but if there is no reserve fund or other supranational institution that would order the state to act in this way, this is merely an ethical plea.

<sup>39</sup> In this brilliant paragraph, James Tobin (1978, 159) points out that “[t]ogether the major governments and central banks are making fiscal and monetary policy for the world, whether or not they explicitly recognise the fact”. He goes on to call for “a longer-range and more global view of their responsibilities” for states enjoying substantial macroeconomic policy autonomy (hypothetically thanks to the Tobin tax). This call captures the thrust of the strong version of my cosmopolitan condition. As pointed out, the empirical problem is that nation-states *tend not to live up* to such responsibilities – which is why moving beyond the national architecture altogether is arguably the difficult-to-achieve ideal (as also Tobin claims).



is politically more realistic than any proposal with clearer supranational or global ambitions<sup>40</sup>, such as those suggested by Keynes, the Brandt Commission, or a straightforward cosmopolitan reading of MMT (the last of which would call for a world currency, global central bank, and a corresponding fiscal authority<sup>41</sup>). There often are trade-offs between normative ambition and political feasibility<sup>42</sup>, at least in the short term (although for instance Keynes’s forced shift from bilateralism to multilateralism during the Bretton Woods negotiations (see Markwell 2006, 223–247) should remind us that bold or universalist proposals are sometimes *more* realistic than convenient or partialist alternatives). Feasibility considerations, in addition to normative criteria, should obviously be taken into account in final assessments of the relative merits of different ICU proposals, but it is also important to recognise that feasibility is not the only thing that matters. A prevailing system is always the most feasible system, but it may not be a system good enough. Or, as Davidson (1992–1993, 178) puts it, “[i]f we start with the defeatist attitude that it is too difficult to change the awkward system in which we are enmeshed, then no progress will be made”.

**(b)** See (2a) and the assessment of Keynes’s original plan above.

**(c)** See (2a) and the assessment of Keynes’s original plan above.

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40 Analogously, the advocates of the nation-state-centric interpretation of MMT, such as Bill Mitchell and Thomas Fazi (2017), can plausibly argue that their vision *is even* more realistic than Davidson’s plan.

41 As I have pointed out earlier (Kotilainen 2021a, 19), in this *arguably ideal* long-term scenario, suggested by the most forthright reading of MMT, the basic logic of this post-Keynesian theory “would start to apply in its purest form and the caveats about its applicability in different national contexts could be forgotten. All the debates about policy constraints stemming from the varying levels of external demand for national currencies would cease. The real resource constraint would continue to exist, of course, but it would no longer bite unlucky peoples prematurely – the morally arbitrary effects of both geography and borders would be eliminated. With sufficient political support, active demand management policies could finally be pursued without worries that austerity might give some party a strategic advantage” – “This scenario accommodates both the MMT insight about the need for unified monetary and fiscal policy as well as the relevant (neo)classical efficiency concerns (described by Goodhart 1998). It also resonates with James Tobin’s (1978) long-term ideal of global unification.” The economic case for monetary and macro-economic unification, and overall global economic integration, looks compelling and can draw on many apparently contrasting lines of economic thought. Of course, the question of whether this truly global scenario would, all things considered, be even ideally preferable to ICU proposals that preserve national currencies, and thereby *an* international exchange rate system, is a tough one – plenty of normative ethical and political theory, as well as democratic public debate, would be needed to answer it properly.

42 Funnily enough, however, the notion of “political feasibility” essentially reduces to questions about normative ambition *prevailing in a society at large* (or at least among its leaders). If the emerging global society becomes sufficiently normatively ambitious about an ICU proposal, the proposal *thereby* becomes also politically feasible.

## IV JOSEPH STIGLITZ'S AND BRUCE GREENWALD'S PROPOSAL

Joseph Stiglitz and Bruce Greenwald (2010; see also Stiglitz 2006, 245–268; 2003; Greenwald and Stiglitz 2010) have put forward another widely discussed 21<sup>st</sup> century proposal. They diagnose the contemporary global monetary predicament in a broadly similar way as Davidson (1992-1993; 2004) – fixed exchange rates have been replaced by unstable floating rates and the US has moved from being the main global creditor to being the main debtor on whose reserve currency assets other states rely on (and which allow and encourage them to run trade surpluses). For both Stiglitz and Greenwald and Davidson, these developments constitute part of the reason why Keynes's approach to global monetary reform needs to be updated in light of the new circumstances, even if it remains sound in its basic principles.

**(1a)** As Davidson and Brandt, in terms of his basic normative commitments, Stiglitz is basically a Keynesian social democrat with cosmopolitan aspirations (in a broad sense of all these attributes).<sup>43</sup> As the first two, Stiglitz is not a professional ethical or political theorist (he was awarded the 2001 Nobel Memorial Prize for his contributions to economics of asymmetric information). That said, and as Heikki Patomäki noted, Stiglitz has occasionally entered into these areas of research (see e.g. Stiglitz 2012). Stiglitz's work on international economics, globalization, and development issues, including as chief economist at the World Bank, suggests that his normative commitments include:

- A conception of wellbeing and global justice that stresses the need to address global poverty and inequality and to foster provision of “global public goods”, such as knowledge, development, climate change mitigation etc (with critical implications towards the Washington Consensus, “neoliberalism”, and even the broader political hegemony of the US dollar) (see Stiglitz 2006; 2002; Stiglitz and Greenwald 2010)
- A commitment to a more democratic form of globalization (see e.g. Stiglitz 2006, Chapter 10).
- A concern about global catastrophic risks, in particular climate change (see e.g. Stiglitz 2006, Chapter 6).

**(b)** In terms of institutional design, Stiglitz's and Greenwald's proposal is not as detailed as Davidson's. However, the core institutional elements of Stiglitz and Greenwald's (2010, 17–18) “preferred” proposal to establish a new global reserve system include:

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<sup>43</sup> The normative commitments of Bruce Greenwald might call for a separate assessment. From watching some of their joint panel sessions, I got the impression that he and Stiglitz by no means agree on all issues. At least potentially, peer disagreements allow for further learning (Kotilainen 2021b).

- A new global reserve currency (bancor).
- The reserve currency as an instrument for active *global macroeconomic policy* – to be issued at higher quantities when the global economy is slowing down and at lower quantities when the global economy is expanding.
- The reserve currency as a means to provide *funding for global public goods*.
- New incentives for states not to pile up excess surpluses (in order to reduce macroeconomic externalities associated with insufficient global aggregate demand).
- Institutional arrangements to operate the system (perhaps a rule-based system run by a new institution or a reformed IMF).

**(2a)** Despite their largely shared diagnosis of the flaws of the current architecture, compared to Davidson, Stiglitz and Greenwald seem somewhat more optimistic about what could be feasible in the current circumstances.<sup>44</sup> Also their normative ambitions appear to be higher. Whereas Davidson advocates a comparatively modest proposal, Stiglitz and Greenwald (2010, 17) “strongly believe that it would be desirable to move towards the more ambitious frameworks, which simultaneously address the central problems posed by the dollar reserve system – – as well as other key problems in globalization. Keynes—not surprisingly, given his focus on underemployment equilibria—argued for a system that taxed surplus countries. This could be implemented by reducing allocation of new reserves to countries with persistent surpluses. These amounts could then be reallocated, e.g. for climate change or development.”<sup>45</sup> Both the idea of global macroeconomic policy and funding of global public goods reflect cosmopolitan aspirations that are not far from those of Keynes or the Brandt Commission. Stiglitz (2006, 269–292) also devotes a chapter to discussing how globalization could be democratised, which

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44 Stiglitz and Greenwald (2010, 20) recommend a “portfolio approach” of “moving forward on several forms simultaneously” combining regional and international action.

45 Stiglitz and Greenwald (2010, 17), too, realise that there are also more modest ways forward, “[t]he least ambitious [of which] is a simple extension of the current system of special drawing rights (SDRs) within the IMF”. This comes close to Stiglitz’s (2003) own suggestion to offer “global greenbacks” (basically SDR grants) to countries that need them most. For Davidson (2004, 596), Stiglitz’s global greenbacks would be “merely palliatives and not the solution to the problem”. It is thus not true that Stiglitz’s proposals on global monetary reform would have been more ambitious than Davidson’s *across the board*, and certainly not in all aspects – indeed, in some respects, including in basic questions of macroeconomic theory, Davidson is probably closer to Keynes than Stiglitz is (reflecting the Post Keynesianism / New Keynesianism split), and thereby more ambitious about certain related economic reforms. By contrast, Stiglitz is arguably more ambitious than Davidson with respect to cosmopolitan politics and development. From the perspective of the emerging Helsinki approach (see Kotilainen and Patomäki 2020), economic, political, and philosophical commitments *all* matter for assessing relative merits of competing accounts.

strengthens the impression that he subscribes to cosmopolitanism of a sort.

Relatedly, Stiglitz and Greenwald also notice that in addition to considerations of a proposal's short-term feasibility, one should pay attention to considerations of its eventual legitimacy and / or sustainability – what one could perhaps call the proposal's long-term viability. As Stiglitz and Greenwald (2010, 17) put it, the “more ambitious versions may be harder to negotiate – though given the additional benefits that would be reaped, they might enjoy greater support.” This in an important point that again suggests that the trade-offs between normative ambition and political feasibility / viability are not as nearly as clear-cut as one might first believe.

Stiglitz's complaints about the monetary hegemony of the US dollar seem to stem from a mixture of economic and ethico-political concerns of a broadly cosmopolitan type. First, the dollar-centred system is inherently unstable (and monetary rivalry of other *national* currencies would just make things worse) (Stiglitz and Greenwald 2010). Second, “to many, especially outside the United States, it seems peculiar that a twenty-first century global economy should be dependent on the currency of a single country” (Stiglitz and Greenwald 2010, 1). Third, the US is suggested wrongly to benefit from its ability to borrow from developing states (Stiglitz 2006, 245; Stiglitz and Greenwald 2010, 2).

The third of these claims is arguably a confusion that follows from a (neo)classical theory of state finance – the US does not borrow from abroad to finance its deficits, but rather the surpluses of net exporting countries that correspond to the US deficits keep the demand for dollar bonds high (this at any rate is the MMT position, see Bell 2000; Wray 2012, 125–147).<sup>46</sup> By contrast, the first two of Stiglitz's claims are compelling – a dollar-based system is not only macroeconomically suboptimal, but also normatively problematic (and certainly widely perceived as illegitimate by other states).

**(b)** Stiglitz's conception of global justice is clearly not far from Keynes's, Davidson's, or Brandt's Commission's conceptions. It is therefore probably well in line also with the capability approach of Sen and Nussbaum. Indeed, Stiglitz (2006, 50, 299; 2002, xxii) is explicit about the influence of Sen on his thinking.

**(c)** Stiglitz articulates a clear concern for global catastrophic risks, in particular climate change (Stiglitz 2006, Chapter 6). He goes on to suggest that climate change could be tackled also through the means provided by an international monetary reform (including expansion of SDRs, taxation of excess surpluses, climate change fund etc) (see also

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<sup>46</sup> In general, Stiglitz's (2006) and Stiglitz and Greenwald's (2010) basic economic theoretical assumptions are still firmly New Keynesian, although Stiglitz may have more recently taken some steps towards post-Keynesianism.

Stiglitz and Greenwald 2010). Stiglitz’s conception of existential and catastrophic risks could be more expansive (along the lines discussed by Beard and Torres 2020), even if climate change is undeniably an excellent focus now.

## A FEW CONCLUDING THOUGHTS

The above analysis of some prominent ICU proposals is far from exhaustive (for other ICU proposals and further discussions on related cosmopolitan and / or Keynesian reforms, see e.g. Ocampo 2017; Patomäki 2013, Chapters 7 and 8; 2001; Patomäki and Teivainen 2004). To fully grasp the normative underpinnings and institutional elements of even the existing ICU proposals, a lot more work remains to be done. Moreover, it is evident that despite their many merits, none of the existing proposals is fully unsatisfactory – important questions about for instance their underlying technocratism, Eurocentrism, and even anthropocentrism<sup>47</sup> need to be addressed. Conceptions of global democracy, well-being, justice, and the value of long-term future themselves can potentially draw on much more diverse sources than they currently do (as argued in different contexts by for instance Beard and Torres 2020, 30–31; Flanagan 2013; Held and Patomäki 2006; Robeyns and Byskov 2021; Sen 2009, xiii–xvi).

An ICU style arrangement could go a long way towards eliminating trade wars. In addition to more traditional economic, political, and social issues, an ICU could even help to address growing existential concerns. Escalating global catastrophic and existential risks should indeed be taken increasingly seriously in all prospective ICU proposals – perhaps especially with respect to the envisaged role of the global reserve fund (the most desirable plans should indeed have room for such an organ). At the simplest level, the fund could allocate new resources to the prevention of these risks (on which humanity may currently spend less than on ice cream, see Ord 2020, 57–58, for a rough estimate). To the extent that cosmopolitan conditions on national policies are indeed legitimate and democratically accepted, one could also make the access to these funds conditional on for instance the existence of credible plans for elimination of carbon emissions, ecosystem damage, and nuclear proliferation (rather than on the standard *uncosmopolitan* conditions on the public finances of debtors). Once a system for the

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<sup>47</sup> As Matias Ingman helpfully pointed out, future ICU proposals should arguably move beyond Brandt Report style broad-based humanism and towards an even broader based “ecologism” or something along such lines (even if the Brandt Report does make several references to ecology). To some extent, also for instance the literature on global catastrophic and existential risks might need to move towards a similar direction – there has been an overemphasis on “intelligent life”. The Anthropocene has been characterised by (what could perhaps be called) *existential risks for non-human species* that, in numerical terms, are often much higher than such risks for humans. Indeed, the risks for other species have regularly materialised as extinction outcomes.

taxation of excess trade surpluses is in place, it would be easier to move on to tax states that create other global externalities that are at least as dangerous as those linked to insufficient global effective demand. In addition to designing increasingly concrete, effective, and desirable ICU proposals, questions about feasibility and potential strategies forward need to be tackled head on.

Finally, reflecting the fundamentally cosmopolitan insight that democracy, wellbeing, justice, and future threats should all be understood in increasingly global terms, a hopefully prospective International Clearing Union – depending on its exact normative underpinnings and elements of institutional design of course – may best be called a *Global Clearing Union* (GCU).

## **POSTSCRIPT**

The war in Ukraine adds to the relevance of ICU proposals even in the relatively short term. As a response to Russia's illegal military invasion in late February 2022, key Western actors have rapidly weaponized their economic interdependence with Russia (in the sense of Farrell and Newman 2019). Already by early March, Russian financial institutions were largely cut off from SWIFT and, even more crucially, the dollar clearing system. This response is likely to intensify existing efforts by especially Russian and Chinese actors to devise and promote their own alternative systems (which may increasingly harness blockchain and cryptocurrency technologies). It is, however, high time for the current and aspiring superpowers alike to acknowledge that only a Global Clearing Union, based on genuinely cosmopolitan principles and procedures, offers a viable way forward.

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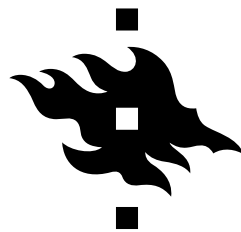
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