

Political Economy: Globalism versus Economic Nationalism



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Ayn Rand: 'Standing one Foot' (Again)

- Metaphysics: OBJECTIVE REALITY
- Epistemology: REASON
- Ethics: SELF-INTEREST
- Politics: LAISSER FAIRE CAPITALISM



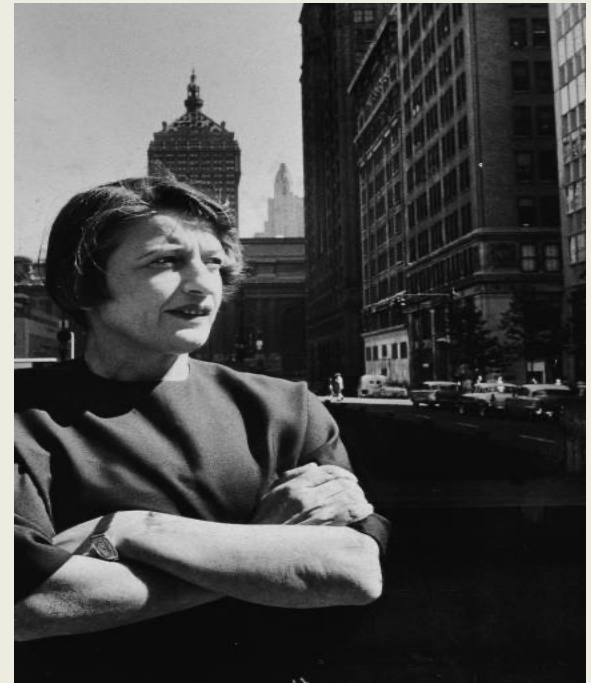
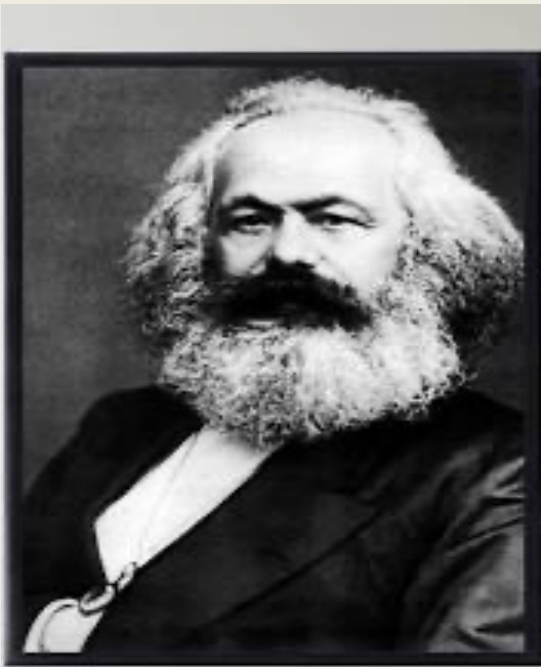
Where are We Now?

- ❑ Even if we are in broad agreement with the metaphysics & epistemology, one of the main things we have tried to show in this series is that adherence to ‘metaphysical realism’ and ‘reason’, does not necessarily lead to the same conclusions on ethics & politics.
- ❑ In the last couple of episodes, on ethics, we questioned whether the notion of self-interest, interpreted as pure selfishness, greed, or whatever, was really what Ayn Rand wanted to suggest. Maybe she did? Anyhow, we have suggested that a goal of self-realization, or ‘human flourishing’ would be a more attractive alternative.
- ❑ ‘*Eudamonia*’ must clearly be agent-relative - this goal is not conducive to collectivism, but it would allow for different people to put different weights on the various human goods in their own individual spheres of interest. There would be no need to follow any particular ‘party line’.
- ❑ But how should we respond to ‘*laissez faire* capitalism’?

Laisser Faire?

- ❑ *Laisser* is a French verb meaning ‘to leave’ and *faire* means ‘to do’. *Laisser faire* therefore means something like to ‘leave well alone’.
- ❑ But the use of the term ‘capitalism’ itself, in this context, is highly misleading. People who use the term think of it in a very shallow way, merely as a synonym for ‘the market’. There is no attempt to investigate whether there does, or does not, really exist a complete social system answering to that description, involving a distinct entity called ‘capital’.
- ❑ So, the idea is simply that under ‘*laissez faire* capitalism’ that there should be no ‘government interference’ in the market (a so-called ‘free market’) – *i.e.*, no economic policy at all. Certainly, economic policy can be very bad, and often (usually?) *is* very bad. But, that there should be no policy, not even to the extent of legal parameters setting the ‘rules of the game’, makes no sense. It is not based on any plausible social ontology.

Three Wise Persons?



Social Ontology

- ❑ Social ontology is all important, but it is missing from the analysis of the advocates of *laissez faire*. They seem to think of markets as operating solely along the lines of the model of barter exchange, from abstract neo-classical economics. But this model is unviable,
- ❑ The analysis ignores money, and neglects the fact that money & markets are themselves social institutions.
- ❑ ‘Markets’ and financial institutions don’t just grow up on their own, like a biological entity, without any conscious input from those who participate in them or the society at large. They are themselves the product of the complete underlying system of social relations. They build on the other social structures that come before them, money itself, the law, government/governance, and so on.
- ❑ But never mind about the ontology of money. The ontology of ‘capital’ itself rarely receives any attention. Is this a sum of money, a collections of machines, the individual capabilities of human beings, or an abstract system of social relations as in Marx? Who knows? Basically, it is in the ‘eye of the beholder’.

Drawing the Line

- ❑ In the latest edition of the *Aurora Philosophy Journal*, Alla Marchenko & John Smithin (2023) have discussed all these issues & more in some detail.
- ❑ The intention was not to debate any particular issue of either macroeconomic or microeconomic policy but to stress that the ‘ontological spadework’ has to be done first before any policy discussion can take place. (Again, the idea of the ‘philosophical order’).
- ❑ There was also some discussion of how ‘social facts’ and social institutions function. (The ‘line in the sand’, ‘money as a social relation’, *etc.*)

The Credit Theory of Money

- ❑ We probably need to get back to the basic idea that social facts, social relations are ‘real’ and have causal effects, but are immaterial.
- ❑ Standard economic theory has made a large ‘philosophical mistake’ by focusing on the role of money as a **medium of exchange** which supposedly had its origin as a physical thing like a lump of gold. Not so. In reality money is, in essence, **social relation of indebtedness**.
- ❑ In the more realistic **credit or ‘claim’ theory of money**, money is *not* thought of as a physical object, nor as somehow representative of pre-existing ‘value’, but as entries in a ledger, system of accounts, or balance sheet. The purpose of the entries is to record the various social relations of indebtedness. Debts are incurred and paid off by balance sheet and accounting operations. This is familiar to us all from everyday experience. But it is *this* system which allows economic activity proceed. It is not just a question of bringing physical goods to market to exchange.
- ❑ In short, without pursuing the argument in more detail here, in reality things are more complicated than standard approaches to economics make out. These complications require the detailed investigation of the nature of money and other social relations. Once this is done, it may well lead to different approaches in political economy (*i.e.*, different results in one of the special sciences) even among those who share the same metaphysical and epistemological commitments.
- ❑ In the case of the Randians, and others, such as mainstream economists who share similar views, the lack of consideration of social ontology has led to the major mistake of treating the economist J.M. Keynes as if he were as much of a deadly enemy as Marx, Lenin, or Stalin.

Options for International Economic Relations

	Globalist	Nationalist
Socialism	International Socialism	National Socialism
Enterprise	Globalisation	?

Nationalism *versus* Internationalism; Socialism *versus* Enterprise

- ❑ The terms in the NW, NE, and SW quadrants of the diagram are self-explanatory. Each of them, for different reasons, carries a lot of intellectual and historical baggage.
- ❑ There is a question mark for the label of the SE quadrant. This is unfortunate, it because it seems to be the only option left for the promotion of an ‘open society’ in the domestic economy, to use the philosopher Karl Popper’s (1945) term. It embraces enterprise, it is not socialist or communist, but rejects globalism of either the left-wing or right-wing variety. It emphasises local (in this case national) decision-making and cultures.
- ❑ In using this phrase we do not necessarily endorse Popper’s own particular vision of what an open society might be. Popper’s book was called *The Open Society and its Enemies*. Alan Ryan, in the introduction to a 2013 edition, remarks Popper’s students would joke that it should be re-named ‘*The Open Society by One of its Enemies*’.

What's in a Name?

- Economic Nationalism?
- Monetary Mercantalism?
- Capitalism in One Country?

Capitalism in One Country?

- ❑ The expression ‘capitalism in one country’ is a pun on Stalin’s notorious ‘socialism in one country’. ‘Capitalism in one country’, presumably anathema to Stalin, is meant to refer to the prospects for a non-socialist domestic economy having the ability to control its own economic destiny by putting in place the appropriately expansionary policies.
- ❑ The central government of the domestic economy must have its own sovereign currency and a floating exchange rate (or, at a minimum, a ‘fixed but adjustable’ exchange rate).



[Joseph Stalin, *Foundations of Leninism: Lectures Delivered at the Sverdlov University, 1924. (As reprinted by Foreign Languages Press, Peking: 1975).*