

# Economics needs to ditch most of what it does and adopt a realist global political economy and futures approach

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## 1. Introduction

Other papers in this collection will likely provide a tighter focus on the scope for ecological economics to replace mainstream economics. I take a broader approach to the context of the question about the biophysical limits to growth and look at the dynamics and growth of the world economy in terms of long-term historical structures, powers, and fields, stressing the political and the role of conflicts, including wars. I will argue towards a theme encapsulated in my title “Economics needs to ditch most of what it does and adopt a realist global political economy and futures approach”. The case is made in greater detail in my recent books *The Three Fields* and *World Statehood* and elsewhere (see Kotilainen and Patomäki 2022; Patomäki 2022; 2023).

My starting point is that prevailing ideas and theories have constitutive and causal effects through agency, practices, and regulatory-institutional implications, which in turn are co-responsible – with a number of geo-historically generated mechanisms and circumstances – for uneven growth and cyclical changes both within countries and in the global political economy as a whole. For the past century, the prevailing ideas have largely emerged from various strands of economics. The story of the development of economics is complex and can be told from multiple different perspectives, yet there is some degree of consensus about what kind of things characterise Western mainstream economics of the last half-century.

Classical political economy emerged much earlier and did so in the context of increasing monetisation and marketisation of European societies. These 18th-century developments were intertwined with colonial expansion and constant warfare among the European great powers and, especially in the 19<sup>th</sup> century, against the non-European others. States innovated to find new ways of financing their expenditure, and this resonated with monetising and profit-oriented innovations. Soon the new concepts, ideas, and doctrines of political economy started to shape forms of agency, practices, and institutions.

The world economy had already existed for centuries when the industrial (or more precisely mechanical) revolution gave rise to a truly planetary economy (Polanyi 2001, p. 93). In the two centuries since the 1820s, the world economy has grown by a factor of 70 or 80. This massive process, where both population and per capita production and consumption have increased exponentially, has had major physical and ecological consequences on a planetary scale. My focus here, however, is on the things which characterise Western mainstream economics, “market

globalism” and related issues that have both contributed to “climate emergency” and ecological breakdown and worked to impede appropriate responses.

## **2. Market globalism**

As a practical-political doctrine, contemporary economics has been associated with “market globalism”, which consists of a series of interrelated claims, including the primacy of economic growth; the importance of free trade to stimulate growth; the drastic reduction of some forms of government regulation; a set of policy prescriptions considered to constitute the basis of well-functioning free market economy; and advocacy of further marketisation of social relations and individual choice. (Steger 2002) It should be noted though that economics incorporates New Keynesianism; not all mainstream economists have professed all of these claims; and a few have even become vocal critics of some or many of them.

These complications notwithstanding, market globalism can be seen as a doctrine that frames and interprets social problems through theories of well-functioning price mechanisms in competitive markets and related ideals such as growth, efficiency, freedom, and justice. This doctrine, which has largely but by no means exclusively been based on mainstream economics, includes variations and changes over time, yet the general thrust has been that problems identified within this framework can be resolved by expanding the scope of competitive markets (Friedrich Hayek in his guise as political philosopher and many conservative politicians have also stressed the role of traditional morals, often focussing on the family).

Further ideas include that democracy must be limited to respect the liberal “free-market” boundaries of state intervention. The existence of a market requires the establishment of private ownership – private property is often taken as a sacrosanct cornerstone of society, whether justified in terms of arbitrary assumptions of normative theory (Nozick 1974) or general equilibrium theory (Arrow and Hahn 1971) – and commodification. While the generic orientation supports outsourcing, privatisation, and the idea that markets are self-regulating (unless externalities or exceptional circumstances dominate), the basic idea can be broadened through a wide range of analogical and metaphorical shifts of meaning. Within the framework of the same methodological principles, it is possible to go in diverse directions and generate recommendations that contradict each other (as Lawson 2016 has stressed).

Economics is usually, however, equated with modelling and statistical analysis (econometrics). At the core of economics is the “optimisation under constraints” approach. Economics has disciplinary effects functioning both internally and externally (Gueldry 2015), while the external effects are at the heart of economics imperialism (Mäki 2009). Market globalism is concomitant with the “episteme” of economics (see below) and from its standpoint – which functions among other things as a powerful system of control, reward, and punishment – it is difficult to see differences in social contexts or among purposes and identities of actors. At an abstract level, everything is always the same, though this claim needs some elaboration.

In mainstream economics people and individual-like collective actors have “preferences”, optimise under constraints, and respond uniformly to incentives no matter who or what they are or how they are positioned in practices. This is the standard scheme, but there are various modifications. Behavioural economics distinguishes between abstract optimisation-rationality and regular patterns of actual human behaviour. Recent popular empirical microeconomics relies on quasi-

experimental techniques, including natural and randomized controlled experiments, and claims to be largely theory-free as an approach, although it presupposes aspects of the atomism of closed systems and although its explanatory concepts are theory-laden and often derived from the corpus of mainstream economics.

The standard scheme continues to provide the basis for economics education and for how most economists think. A key problem is that this orientation and its underlying epistemology tend to constitute a closure of communication. By adopting particular epistemes or structures of meaning and knowledge circulated in some social practices, actors may become entangled in closures involving fixed identities and “hard will”.<sup>1</sup> In contemporary mainstream economics, different forms of agency are largely reduced to one basic scheme with minor (e.g. behavioural or quasi-social) variations and thus misrecognised. However, as a transformative political programme, this episteme has performative and constitutive effects. It shapes contexts and thereby actor categories and forms of subjectivity, including in terms of metaphorical extensions and modifications of the idea of optimising agents in competitive markets (e.g. New Public Management applied to public organisations).

Market globalism tends to have manifold causal consequences, many of them unintended. This episteme is capable of learning in terms of first-order aims (“preferences”) and means, but only to a rather limited degree beyond that, not least because it tends to be indifferent if not intolerant and hostile towards other epistemes. How prone to antagonism and authoritarianism is neoliberal thinking? Although Friedrich Hayek (2001, p. 143), for example, criticised demagoguery based on the category of the enemy, there is, for one thing, a tendency to construct “collectivists” as enemies of freedom. This can feed into populist imaginaries of antagonisms, as has happened in the 2010s and 2020s.

If we look at the wider purposes constituted within this episteme, we can see that these purposes include particular preferences for political order (Patomäki 2020a, pp. 119–123). The most preferred order is a combination of constitutionally limited democracy and “free markets” within a state, although some neoliberal philosophers such as Milton Friedman or Hayek have perceived authoritarianism in certain circumstances as indispensable, albeit only as a temporary step to prevent a slide to collectivism and to preserve freedom.

Nonetheless, while a significant part of mainstream economics (for example, general equilibrium theory, public choice theory) is in line with this kind of political theory, and while parts of economic theory have evident anti-democratic implications (for example, Arrow’s impossibility theorem has been widely used against democracy; Mackie 2009), most economists are likely not comfortable with a resort to temporary authoritarianism. What is nonetheless notable in terms of (explaining

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<sup>1</sup> A form of agency characterised by a hard will is typically based on the necessitarian assumption about the unchangeable essence of oneself (understood individually or collectively) and relevant others (including outsiders of a community). Karl Deutsch (1963, p. 111), from whom I have adopted the concept, connects it also to power and closure of communication: “Will is related to power. Hardening a decision – that is, closing the decision making system against any further messages by which that decision might possibly be modified – is the key to the formation of a will. To have [narrow] power means not to have to give in, and to force the environment or the other person to do so. Power in this narrow sense is the priority of output over intake, the ability to talk instead of listen. In a sense, it is the ability to afford not to learn.”

the lack of) self-transformative capacity<sup>2</sup> of the early twenty-first-century global context is the idea that institutional arrangements can be used to insulate private property and free markets from sovereign states and from potentially dangerous democratic demands (see Slobodian 2018). Concurrently, the goal has also been to safeguard state sovereignty to ensure exit options for individuals and capital and encourage governments to compete for capital by providing “business-friendly” policies (Harmes 2012). In other words, market globalism aims at locking in particular kinds of institutional arrangements. This is in line with, and can in some part explain, the gridlock of global governance in various functional areas (see Hale et.al. 2013; Hopewell 2016 on trade). Even the climate crisis has not led to significant institutional changes or innovations.

Market globalism can acknowledge neither identity-constituting differences nor the significance of socio-economic privileges, although many aspects of globalisation are possible only for the best-educated and wealthiest, whose globalising activities also generate massive amounts of greenhouse gases and other ecological effects. The wealthy and powerful may celebrate market globalism, but this becomes a source of resentment for many, especially if they experience increasingly uncertain living conditions and existential insecurity. Causal outcomes such as inequalities, increasingly insecure terms of employment, and economic crises generate concerns and anxieties in everyday life but unevenly, subject to various asymmetries.<sup>3</sup> The concerns and anxieties of everyday life can be mobilised for antagonistic politics, mostly in terms of frames, categories, metaphors, and myths that have been sedimented into the deep structures of the national and/or religious imaginary (Patomäki 2018, chs. 2–4; Patomäki 2020a; on the role of religion, Patomäki 2023, pp. 173-5).

Economics that professes growth and profit orientation may be appropriately associated with “market globalism”, but it is also, paradoxically committed to methodological nationalism<sup>4</sup> and is co-responsible – though mostly indirectly and through unintended consequences – for the rise of disintegrative tendencies in the global political economy. It thereby constitutes a multilevel hindrance to any adequate global responses to the consequences of the growth of the world economy and its by-products such as global heating, the extinction crisis, the emergence of

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<sup>2</sup> Contexts differ in their openness to change, and characteristically, the opening up of various contexts for peaceful changes – for increasing their self-transformative capacity – often amounts to democratisation. Self-transformative capacity can generate dependable expectations of peaceful changes by qualifying the sense of community and by fostering malleable, tolerant, and pluralist group identities – assuming sufficient socio-economic security, fair absence of privileges, and several other contextual features and background factors. Originally drawn from Robert Unger 1997, who calls this characteristic “plasticity” and “negative capability”, I develop and apply the concept of self-transformative capacity in Patomäki 2023.

<sup>3</sup> For example, in the early decades of the 2000s, the lower and middle classes of high-income countries have often been told that they must make sacrifices. Dominated groups who find that socio-economic conditions have changed making life more insecure, and who anticipate that globalisation requires them to make further sacrifices, turn against “elites” – including “modernised”, pro-globalisation social-democratic parties.

<sup>4</sup> The validity of methodological nationalism depends partially on to what extent social systems in general can be closed. Methodological nationalism is based on the belief that society or the economy is defined by the borders of the nation-state and that the nation-state is a container for all or most of the relevant processes. Thus, macroeconomic models start with the analysis and accounting system of a closed national economy and then expand this analysis to include imports and exports and, possibly, flows of capital. This approach assumes a double closure: an ontological closure necessary for mathematically expressible regularities and a partial national closure implying that the modern capitalist market economy has emerged spontaneously from within each separate state, rather than as part of the history and dynamics of global political economy.

weapons of mass destruction and other potentially destructive technologies (from nano- and biotechnologies to the technologies of space expansion and AI).

### **3. Turning point: from economics to realist global political economy**

The project of mainstream economics seems to have come to a turning point. It is increasingly recognised that the model of economics as a natural science was a misconception and that economics functions performatively toward the world, or tends to construct the world in its own image (even if involving unintended or even perverse consequences), rather than seeking to provide accurate descriptions of it (Davis 2017). What this project lacks is an adequate ontology for understanding the social and ecological effects of what it does and for grasping the role reflexivity and performativity play in the social world (on reflexive anticipations in economics and political economy, Patomäki 2019). Economics cannot predict the future, but social sciences can be future-oriented.

My point is that what is needed is a realism-based, pluralist and future-oriented approach to *global* political economy. There is no space to develop a systematic argument in favour of such an approach or outline it properly (again see Kotilainen and Patomäki 2022; Patomäki 2022; 2023); but what I can do here is to briefly summarise some of the basic ideas. First, an adequate orientating framework must combine ontological realism with an understanding of the context-bound and fallible nature of knowledge, coupled with some account of rational argumentation and judgement. Realism cannot be reduced to the mere realisticness of assumptions. Realism includes the analysis of the fundamental features and powers of reality. Without adequate realism, theories can have no common object of inquiry, and thus nothing on which to disagree. Realists argue that the world is differentiated, structured, layered, causal and open-systemic.

Moreover, in the realist conception, open-systemic causation should be understood in part also in terms of the subject matter in question. Because causal complexes at different layers of reality differ in nature, each science has its own, partially independent domain. Thus realism involves a social ontology and, I would argue further, a historicised social ontology that can explain the emergence of reflective consciousness, complex society and contemporary powers (that we all too often take for granted) in terms of a common, long and multiphased history of humanity that continues in the 21<sup>st</sup> century (Patomäki 2020b).

Secondly, all beliefs and knowledge claims are socially produced, contextual and fallible. Without concurring with some relativism, criticism and learning are difficult; and it would not be possible to account for the open-ended processes of science or the coexistence of different frameworks of interpretation in social sciences, including in economics and political economy. Pluralism and rational commitment are mutually compatible. Rationality has to do with openness to reasons, evidence and learning, yet rational people can and do disagree. The simple observation that no one is in a position to rule out an error, historical limitation or systematic bias on their own part goes far in motivating pluralism. Therefore, an adequate orientating framework combines ontological realism with an understanding of the context-bound and fallible nature of knowledge, coupled with some account of rational argumentation and judgement. Given all the existing rational differences and disagreements, there is room for pluralistic debate – including on all the metatheoretical issues involved.

All actions, including profit-oriented activities in a capitalist market society, as well as policies and institutional transformations, are future-oriented. What is the point of social sciences unless we can say something about the future? All social systems are open and closed to a degree, and these systems include reflective actors that have the capacity to act otherwise. It is not only that the net effect of many processes and mechanisms can often be known only afterwards; it is also that qualitative changes are possible through learning and structural and institutional changes. Social sciences are regularly involved in these qualitative changes, especially through reflexive self-regulation of social systems.

The openness of systems means that point predictions are not possible and that many predictions are in fact self-altering. The main aim of social sciences is not to predict accurately but to bring about desirable outcomes, explaining how to move from strategic actions and reflexive ideologies to emancipation. However, this also presupposes that it is possible, to some extent, to anticipate the future rationally. Any policy or institutional transformation has causal consequences and the choice between different alternatives must be based on some kind of knowledge of possible and probable consequences. Anticipation is all the more important in the 21<sup>st</sup> century because now humanity needs to find adequate global responses to the consequences of the growth of the world economy and its by-products.

The idea of a *global* political economy is sometimes justified by the fact that, as a result of relatively recent globalisation, the world has become interdependent. This is short-sighted. I started this concise paper by mentioning how the industrial revolution turned the already existing and expanding world economy into a truly planetary economy. By the 19<sup>th</sup> century, political economy and such theories as the comparative advantage of free trade – which was also used to legitimize imperial expansion – were widely debated across the world (Helleiner 2023). These debates have involved various, also radical, alternatives, and have been very much part of the dynamics of the global political economy.

#### **4. Final comments: unlearning and progress**

Arguably, past collective (un)learnings are embedded in current practices and institutions, breeding causal mechanisms and complexes generating real-world trends and oscillations, for example, in economic growth and distribution of incomes and wealth. What can be called the inner code of the evolving whole comprises the contents and structures of human learning that co-generate – in a context of power relations and previous layers – the causal processes through which the forms and parts of the whole are being determined.

The contested inner code is responsive to the real causal effects of the prevailing social practices and institutions, albeit often only indirectly and through complex processes that involve the possibility of unlearning and pathological learning (i.e. “learning” not to learn). These consequences include uneven yet ecologically unsustainable growth, distribution of surplus and concentration of wealth, and various crises, conflicts, and wars. Following the standard scheme of collective action, progressive responses to these dynamics in the 21<sup>st</sup> century must include collective actions and common institutions. We could even hypothesise that world history as a whole is directed towards planetary integration.

From this perspective, it emerges that the immediate rational response to the currently prevailing contradictions and disintegrative tendencies in the global political economy would be global

Keynesianism shorn of the “growthist” and technocratic connotations Keynes’s name sometimes conveys (Patomäki 2013, chp 8; 2018, chp. 5; 2022, chp. 6; 2023, chps. 7-8 and 11-13). Global Keynesianism promotes institutions and policies to produce sufficiently stable economic processes, enabling employment and the conditions of well-being and development for everyone everywhere simultaneously. A divided and conflicted world characterised by grievances cannot respond rationally to the consequences of 200 years of exponential economic growth and to the stark reality relating to the confines of the biophysical limits to growth.

For instance, it is possible to build a mechanism through which world trade surpluses and deficits are balanced through various mechanisms involving tax and transfer along the lines of the Keynes-Davidson International Clearing Union (ICU) plan and a global central bank that can issue reserve money (see Davidson 1992-93; Davidson 2004; Stiglitz 2006, pp. 245-68). Such institutions can be characterised as global Keynesian, as they frame questions of public economic policy and politics on the planetary scale. In particular, it has become increasingly evident that ecological problems and in particular global warming require new kinds of responses, such as a democratically organised, market-disturbing global greenhouse gas tax and world public investments, rather than a cap-and-trade system premised on the market (Morgan and Patomäki 2021; Morgan, Patomäki, and Wahlsten 2023). Causes and consequences of climate change could be tackled also through the means provided by an ICU-style global monetary reform (including expansion of SDRs or issuance of a new central bank currency, taxation of excess surpluses, climate change fund etc). Accumulation of relatively small changes in specific areas may lead to ruptures and sudden transformations in others, as issues and processes are often linked.

As different processes are connected and interwoven, the movement towards global Keynesianism and attempts at responding to environmental and several other planetary-scale problems can be linked in various ways. Breakthroughs in one area are likely to become a model for others, with the potential to cause a paradigm shift. After a critical point, directional change can become reinforcing, and this may also be deliberately purposed. In a best-case scenario, the current world-historical developmental path will be replaced by another, enabling long-term sustainability. A realist and future-oriented global political economy approach takes as its starting point that economic developments must be life-promoting rather than shortsightedly exploiting other life forms and the planetary biosphere.

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