

Book review

Heikki Patomäki, *The Great Eurozone Disaster:*

From Crisis to Global New Deal (London & New York: Zed Books, 2012) (co-transl. James O'Connor & Heikki Patomäki)

Magnus Ryner [King's College, London]

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The Eurozone (EZ)-Crisis arrived without virtually any warning from mainstream social science. Economists and political sociologists, working with highly idealised conceptions of 'integration', celebrated the Single Market and would, because of a priori conceptions, not attend to the generative mechanisms behind the crisis (Ryner, 2012). Drawing on a concoction consisting of the efficient market hypothesis, endogenous optimum currency area theory, and the theory of sound money – all of which in one way or another can be reduced to the deracinated neoclassical theoretical version of comparative advantage (e.g. Balassa, 1962) – mainstream economics had announced the 'end of the 'Feldstein-Horioka Puzzle' in the Eurozone (Blanchard & Giavazzi, 2003). Consequently, deficits in southern Europe was no cause of concern, presumably because liberalised financial markets were facilitating business fixed investments in vanguard industries (as opposed to, as it turned out, speculative ventures in real estate). With their Kantian dispositions, political sociologists were prone to defer to the economists, and even 'pessimistic' intergovernmentalists declared the post-Maastricht architecture a stable and 'mature' constellation (Moravcsik, 2003).

Anyone interested in understanding the causes and possible remedies of the EZ-crisis is therefore well-advised to instead turn to the promising and growing body of heterodox and critical works in economics and political economy, some of which even can make a claim to have predicted the crisis (e.g. Stockhammer, 2008). The different strands of this body of research draw, in different ways, attention to the sources of the EZ-crisis in contradictory and integral relations between production and power. We learn from this literature that increased inequalities between social classes (the falling wage-share), and regions (the concentration of high value-added production in the northwestern core of the European economy) cannot be contained within the rigid framework of the EMU. Competitive austerity and the fallacy of composition relate these social inequalities to systemic crisis. It is within this genre that Heikki Patomäki's *The Great Eurozone Disaster* makes a highly original and thought-provoking contribution.

This English translation of *Eurokriisin Anatomia: Mitä Globalisaation Jälkeen?* (Helsinki: Into), which featured on Finnish best-selling lists in 2012, is original, thought-provoking, and therefore highly recommended because of its consistent attempt to break with economism and nationalism. In short, it brings post-Keynesian considerations to global political economy and vice-versa.

The first chapters after the introduction (chapters 2-4) provide an antidote to economism by exposing the tautological reasoning of neoclassical economics (Patomäki is an accomplished commentator on philosophy of science questions [e.g. Wight & Patomäki, 2000]) and by situating the EZ-crisis in the context of American hegemonic decline and the attendant shift in the world economy towards finance-led growth since the 1970s. This period has been characterised by massive global imbalances that have been managed by highly unstable financial mechanisms, with recurrent financial crises being the consequence. Whilst the EZ

has its autonomous logic, it is ultimately part of an exceptionally deep financial crisis that started in US subprime markets in 2008.

If the previous chapters are pedagogically exceptionally well presented ground that will be familiar to many readers, the latter chapters, especially chapters 6 to 8 are the most original and controversial in the book. They form a scenario-painting exercise where Patomäki demonstrates the limits not only of neoliberal solutions (as currently offered by the so-called 'Troika'), but also of nationalist and Euro-Keynesian ones. In essence, the argument is that the imbalances that generated the crisis will prevail and eventually be activated until what Patomäki calls a 'democratic global Keynesianism' has been implemented. This is to be understood as a multileveled system, with considerable local, national and regional autonomy, but also one with substantively beefed up global governance, consisting for instance of global transaction taxes, redistributive mechanisms and a global reserve currency developed out of the embryo of Special Drawing Rights. The latter are not to be managed through inter-state relations alone but should be accountable to a global Parliament.

Anyone who thinks that this sounds utopian must confront Patomäki's argument that any solution at lower level is at best a merely kicking the can ahead a bit before the problems need to be addressed again. He also points to real concrete initiatives tending towards his vision, such as the now oft forgotten Brandt Report. Anyone familiar with debates in global political economy ought to see that there is a deeper socio-political mode of reasoning here. Patomäki is at least implicitly invoking World Systems Theory (WST) (e.g. Wallerstein, 1974; Chase-Dunn, 1999) for whom the separation of a globally integrated world-economy from a system of nationally segmented nation states is constitutive of an exploitative world system. Emancipation is only possible when this separation is overcome and political forms operate at the same level as economic forms. For WST, the abstract potential for such governance is latent in common ethical norms of world religions, and responses of crises and injustices generated by economic integration progressively give these norms ever more concrete form. It is against this backdrop that we must see the massively increased density of global governance of the last 100 years. Patomäki also does make the case, that increased density in communication has progressively improved the prospects for such cosmopolitan subjectivity.

The question is, though, whether his argument does not rely too much on idealised conceptions of communication that is part of the problem in the first place. It is a bit too close to comfort to the neo-functionalist notion of spillover of mainstream integration theory. If spillover worked, we would now be seeing interest groups and political parties demanding a pro-European solution through the EP. Instead, we are experiencing increased nationalist parochialisms and xenophobia. Commodified mass communication is above all trading in stereotyped tropes that feed on these. These are not propitious conditions for a European, let alone Global, demos. It is not that Patomäki isn't aware of the need to ground scenarios in the potential of real developments nor that he is not aware of the obstacles that nationalism poses. But arguably like in so much International Relations literature, the shadow of Mitrany (1944) looms large and assumptions are made about the integrative quality of communication as such.

There are no easy solutions, however, and if Patomäki's own case for the 'realism' of democratic global Keynesianism leaves many questions unanswered, his book is highly recommended for challenging the limits of any less ambitious solutions as well as for the sheer scale of his vision.

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Author contact: magnus.ryner@kcl.ac.uk

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