

Imagination, Imagination, to the Rescue

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The world is bent under the yoke of a dictatorship of no alternatives.

The two most powerful impulses at work in the world today are the desire for socially inclusive growth and the struggle to affirm collective originality to develop distinct forms of life.

Both these impulses are in the service of a larger ideal. Not the humanization of society, but the divinization of humanity, the enhancement of the capabilities of ordinary men and women and the lifting up of ordinary life to a higher plane of intensity.

These impulses cannot advance within the limits of the structure that is now established in the world. The world now has a very restricted repertory of living options for the organization of different domains of social life.

This repertory is the fate of contemporary societies. To rebel against that fate, through the alliance of theory and politics, it would be necessary to enlarge that repertory.

Many countries in the world now are governed by people who would like to be Franklin Roosevelt and who do not know how. The progressives throughout the world in general lack a program. Their program is the program of their conservative adversaries, with a humanizing discount and a falling discount, at that.

The world financial and economic crisis, would supply an enormous opportunity to overthrow this dictatorship of no alternatives, but this opportunity has already been largely squandered.

I interpret the theme of this meeting as not simply a discussion of this financial and economic crisis, but the use or misuse of the crisis as an occasion, to form the global new deal, which on my understanding means to overturn this dictatorship of no alternatives.

The crisis, in fact, would be one of three great levers with which to destabilize the present situation. If only we could respond to it with adequate audacity and vision [first lever].

The second lever would be the reconstruction of the international economic and political arrangements.

And the third lever, the most important of the three, would be the formation of strong national projects, national heresies in the service of this world revolution.

I approach this theme under this interpretation, from the perspective of a certain view, of the kind of progressive vision that the world needs now.

There are now two main kinds of progressives or leftists in the world. On the one hand there is a recalcitrant left that has no real alternative to the turn to globalization and markets, but wants to slow down the march in defence of its historical constituency; especially of the organized labour force headquartered in the capital-intensive sectors of industry.

There is a second resigned or surrendered left that accepts unequivocally the market economy and globalization in their present form, but proposes to humanize them by administering the sugar of compensatory and retrospective redistribution through tax and transfer.

What the world needs is a third reconstructive left that proposes to reorganize the market economy in the service of greater inclusion and opportunity, and to redirect the course of globalization.

I now proceed to discuss in turn, each of these three levers of destabilization.

The first is the crisis and the response to it.

Nothing is more disconcerting in the present debate about the crisis than the poverty of the ideas that animate it. In truth, there seems to be only one idea. A shrunken and mummified Keynesianism providing the dim light by which we try to understand and to master the slump. In this light three significant but shallow themes have almost entirely dominated discussion: the rescue of the failed financial institutions; the need to regulate financial markets domestically and internationally; and the imperative of adopting expansionary monetary and fiscal policies, vulgar Keynesian.

Meanwhile, three much more important themes on which depends the progress of whatever we're able to do with respect to these more superficial problems, have remained almost entirely suppressed in the world debate.

The first is the overcoming of the structural inequalities in the world economy between the countries that are awash in savings and in trade surpluses, and the countries that are living off borrowed money.

The second is the importance of understanding the task of regulation of financial markets as simply the more visible part of the larger work of reshaping the relation between finance and production.

And the third is the affirmation of the link between recovery and redistribution.

Now of these three suppressed topics, the first, the only one that is to some extent debated, the structural imbalances in the world economy is in fact derivative of the other two.

In the surplus countries, the countries with large excesses of savings and of trade balances, the correction would require a major internal redistribution, which cannot be successfully achieved by fiscal means and social programs, but requires a reconstruction of both production and politics.

And in the deficit countries, the countries that depend on foreign money and foreign saving, beginning with the United States, the correction in turn merges into the larger work of re-conceiving and recognizing the relation of finance to production.

In every established market economy in the world the production system is now largely self-financed on the basis of the retained and reinvested earnings of firms. What then is the point of all that money in the banks and in the stock markets?

Theoretically, it is to finance production. In fact, the preponderant part of financial activity has only an oblique or episodic relation to the productive agenda of society.

Most of the accumulated saving of society under these arrangements is squandered in a financial casino. Does it have to be that way?

The opportunity presented by the crisis is to innovate in arrangements that would channel much more directly and effectively long-term savings into long-term productive investment.

And those innovations would simply be the front line of an effort to reorganize the market economy in its institutional content. No market economy can be made more inclusive without being restructured institutionally.

That is what the Americans did in the nineteenth century when they organized a new form of family farming and established the most decentralized system of credit that up to then had ever existed in the world. And that is what all of humanity would now need to do in spades, in every dimension of economic life.

The other suppressed theme is the linkage between recovery and redistribution.

Consider the United States, which was, and is, the epicentre of the crisis. The whole world admires the market and mass consumption that Americans developed in the second half of the twentieth century.

In principle, mass consumption requires the popularization of purchasing power, which in turn depends on a progressive redistribution of wealth and income. After the initial bout of redistribution that took place in the aftermath of the Second World War, the United States witnessed in the closing decades of the twentieth century a violent concentration of wealth and of income.

How then were the Americans able to reconcile this regressive redistribution with the maintenance of a market in mass consumption goods? Part of the answer lies in the steep

dynamic of household indebtedness, in turn made possible by the overvaluation of the housing stock as collateral.

A pseudo-democratization of credit took the place of the progressive redistribution of wealth and of income that failed to occur. And the Americans established, to the detriment of their republic, a credit democracy instead of a property-owning democracy.

Now that this mechanism is shaken, the initial problem, of the linkage between recovery and redistribution shines all the more clearly.

Now this alternative response to the crisis, the one which would bring these repressed themes to the centre of attention and innovation, is not likely to take place, unless it has an ally in the reconstruction of the international, political and economic arrangements, the second great wedge of transformation that I enumerated at the beginning of my remarks.

The political and economic order established in the world by the great powers of the world after the Second World War has wanted to impose on humanity an ever more stringent blueprint. It has wanted to enforce in the name of free trade and political security, a convergence to the same institutions and practices worldwide.

But humanity does not want this convergence, humanity rebels. It cannot achieve the socially inclusive growth it desires within the established institutional framework. Nor can it within that framework, affirm the impulse in the collective originality in distinct forms of life.

Let me illustrate the problem to which the most evident manifestation, the organization of the world trade regime.

The world trade regime established under the WTO agreement, is a consummate expression of this enforced convergence. Its first generative principle is that free trade is the supreme goal to which everything should be sacrificed.

But free trade, of course, is not an end, it's a means. The goal ought to be the coexistence of alternative trajectories of development and experiences of civilization within a world economy that becomes gradually more open.

The second generative principle of this economic order is to impose in the name of free trade, not just a commitment to the market economy, but a commitment to a particular type of market economy. It is an institutional maximalism rather than the institutional minimalism that characterized the antecedent regime of the GATT.

An example is the desire to outlaw under the present arrangements, under the label subsidies, all the firms of strategic coordination between countries' private firms which those countries that are now rich used to become rich.

Another example is the struggle to incorporate into the rules of free trade the present regime of intellectual property; the patent regime, a relatively recent invention of the late nineteenth century, which would leave the technological innovations of greatest interest to humanity, in the hands of a small number of multinational businesses.

The interest of the world is to overturn this development and to place the institutional minimalism where the intuitional maximalism now stands; the maximum of economic openness with the minimum of legal restriction with the greatest freedom to experiment in the institutional forms of a market economy.

The third generative principle of this economic order is the radical contrast between the treatment of goods and of capital and the treatment of people.

Things and money are supposed to become free to roam the world. But people are to remain imprisoned within the nation state or within blocks of relatively homogeneous nation states such as the European Union.

The movement of things and of money across national frontiers is sometimes useful and sometimes harmful, but the movement of people is sacrosanct because it forms the process by which humanity is at once unified and diverse.

A gradual extension under safeguards and compensation, freedom of movement would be the single greatest innovation of equalizing in the world, and it would overturn this system of selective un-freedom that is now falsely described as a free world economy.

A new world order, hospitable to a plurality of power and a vision, not a reinvention of a Congress of Vienna and of the schemes of Prince Metternich is what the world wants now.

Both these wedges of destabilization are accessory to a third, the most important of the three. The formation of strong national projects, that would be the fuel of world revolution; projects that gave distinct institutional form to the twin impulses of the search for socially inclusive growth and affirmation of collective originality in the definition of forms of life.

The last great institutional settlement that was established in the world was the one that was formed in the mid-century by the rich North Atlantic democracies, the American New Deal and the European social democracy.

The ideological horizon of the North Atlantic progressives today has become largely limited to the idea of reconciling American-style economic flexibility with European-style social protection within the limits of this narrowly established repertory of institutional arrangements.

The advance societies, however, cannot solve their fundamental problems today, within the limits of that settlement or of that repertory, much less the rest of the world.

I give three examples of problems that cannot be solved or even understood within the established restraints.

The first is the need to extend the gateways of access, of economic educational access to the advanced sectors of production and learning. There is a new form of production emerging in the world that shifts the focus of work that we know how to repeat, and can therefore embody in formulas and in machines, and to the activities that are not yet susceptible to repetition.

A form of production that attenuates the contrast advisory and execratory activities; and a form of production that mixes fluidly cooperation and competition in the same domains of activity.

The vast majority of humanity is excluded from this vanguardist experimentalism of production and of learning. And that has become the single greatest source of inequality, throughout the world, including in the advanced societies.

We cannot overcome this source of inequality without innovating.

First, in the repertory of arrangements for strategic coordination between governments and firms, and second, in the regimes of property and contract.

We cannot find ourselves forced to choose between American arms-length regulation of business by government and the north-east Asian model of unitary trade and industrial policy imposed top down by the bureaucratic apparatus of the state.

A new form of decentralized, pluralistic, participatory and experimentalist strategic coordination between the public and the private is what would be needed as an access to the reinvention of the market economy, and then later the co-existence of regimes of property and contract within the same market economy.

The second problem is the failure to establish an adequate practical basis for social solidarity. The only basis provided now in the North Atlantic social democracies is money. Money is not sufficient social cement. The only adequate basis of social solidarity is the responsibility that every able-bodied adult must have, to devote part of his time and part of his life, to care for other people beyond the boundaries of his own family.

And the third problem that cannot be solved within the established framework is the continuing dependence of change on crisis. The economies and the polities of contemporary societies are so organized that it is almost impossible for them to change unless under the provocation of collapse and military conflict.

In war they awake and in peace they sleep. We need arrangements that would diminish the dependence of change on crisis.

There are four large projects of liberation that would enable us to go beyond the limits of the present predicament.

The first is to provide an economic shield to national heresy. Split the economic orthodoxy in half; reaffirm the good part, the principle of fiscal realism.

Even when necessary, renouncing some of the instruments of counter-cyclical economic policy to increase the margin of manoeuvre of the state; to experiment and of the society to rebel.

But reject the bad part, the idea of relying on other people's money, on foreign money and insist on a principle mobilization of national resources at the limit - a war economy without a war.

The second large project is to democratize the market economy. It is not enough to regulate it; it is not enough to counterbalance its inequalities through compensatory and retrospective redistribution, it is necessary to reshape it in the service of inclusion and opportunity, and in particular to extend access to the advanced sectors of production and of learning.

The third project is a revolution in education. The first priority is to reconcile in countries that are large, unequal and federal, the local management of the schools with national standards of investment and quality.

And the second priority is to make available to the whole of the people and not simply to a small elite, an experimentalist education, one that places analysis where information now stands; that prefers selective deepening to superficial and encyclopedic coverage that anticipates to the earliest stages of learning, the cooperative practices that characterize advanced science, and that rejects canonical dogmatism in favour of a dialectical approach; teaching every subject from the standpoint of at least two sets of contrasting views.

The fourth large project is to deepen democracy, to create institutions of a high-energy democracy that attenuates the dependence of change on crisis. Arrangements that elevate the temperature of politics to the level of organized popular mobilization, arrangements that quicken the tempo of politics. The rapid breaking of impasse between the political branches of government to facilitate decisive experiments and arrangements that tap the squandered experimentalist potential of the federalist regime to generate in particular sectors and localities, counter-models of the future.

In general in the world today, the position of the progressives is that the orthodoxy is universal, but the heresies can only be local. And these local heresies would be combined elements of local of the universal orthodoxy with local adaptation. This view is false. A universal orthodoxy can be combated successfully only by a universalizing heresy, as liberalism and socialism were in the last two centuries.

A universalizing heresy, constituted by these constitutional innovations that paradoxically would provide the instruments with which contemporary societies could become not more like but more different, inventing differences rather than clinging to remembered differences.

The world is ready and united as ever before. The great secular projects of emancipation, the liberal and socialist projects and the world popular romantic culture, have prepared all of

humanity for the idea that it can be lifted up; that the objective is not simply a marginal advance in equality, but the empowerment, the greatness of the ordinary person.

And the method is not the humanization of the established framework through social policy, but the reinvention of the framework through cumulative institutional experimentalism.

The world is ready and any fragmentary advance in part of the world, if correctly interpreted through a discourse that reveals its larger meaning, would resonate sensationally throughout the world.

The transformative opportunity presented by the crisis, however, has already been largely wasted and in general there is a vicious circle, a paradox. We want institutions that would diminish the dependence of change on crises, but the induction of such institutions in turn seems to depend on crises.

We should not depend on crisis. It is so as not to depend on crises that we possess the faculty of imagination. The task of the imagination is to do the work of crisis without crisis.

Imagination, imagination, to the rescue.