Redefining the State – A Lever of Public Health

Keynes was one of the promoters of social democracy built on a fundamental pillar, full employment. It started of course from the principle that only capitalism guarantees individual liberties, private initiative and free enterprise. This does not prevent it from denouncing the faults of such a system promoting deregulation, itself generating intolerable anomalies in any civilized society. To this end, let us take its “General Theory” where it stated (in loose translation) that “the major faults of the economic society in which we live are not to provide full employment and consist of an arbitrary and unfair redistribution of wealth and income”. How to ensure that full employment and equity in the allocation of resources if it is not done through the active intervention of the state, and while it is important not to count on the charity of the private sector? That’s why the supporters of Keynesianism are also strengthening the powers and prerogatives of the state, whose only action is likely to smooth over the glaring inequalities, while imposing a protective regulation of public interest. It is not, however, going back to the teachings of Ricardo and Marx who argued that the capitalist system makes its profits by constantly maintaining a “reserve army of unemployed”. Their concept actually had a congenital defect wanting that this army of unemployed would disappear when the very notion of profits would be eradicated. Keynes, for his part, showed that long-term unemployment was caused, not by the pursuit of profit, but by variable and volatile private investment in uncertain times. As it is the fall in this private investment – or misused investment – which is the source of economic downturns and climbing unemployment, it is imperative to “socialize” this investment. To do this, businesses – as the government itself is an employer – must assure their employees’ purchasing power by allowing ongoing private investment, guaranteeing full employment. The essential prerequisite for the socialization of investment is a redistribution of income that would be the basis of full employment. In the Keynesian view, the public sector must therefore act in addition to the private sector, without ever trying to replace it. Today, seventy years later, equality and employment are still – and more than ever – the core concerns of our developed nations. Although the front line has moved significantly. Indeed, while the protagonists at the time of Keynes owned the means of production – i.e., the industries – and to a lesser
extent the pensioners. It is actually the power of finance – as a result of globalization – that crops individual freedoms while increasing imbalances and inequalities. This finance whose only priority is to maximize its profits instead of investing in the economy, its production tools and its jobs. This finance which uses all its resources to tear down barriers, decimate regulations and operate at levels to fight governments on equal terms. In this context, once again, only the action of the public authority is able to regulate, to smooth and fill gaps, so it is impossible to rely on the private sector, whose role is not to do thus. Keynes’ fundamental contribution to democracy resides in this vision of the state as protector of the public good and as supreme regulator of private sector activity and market forces. To achieve these objectives, the state must therefore limit at the same time the power and profits of this finance.

Therefore, it’s not because the state no longer has money or because the banks are empty that it can no longer do anything – it is neoliberal ideology that prevents money from being printed. It’s not because the state no longer has money or because the banks are empty that it can no longer do anything – it is neoliberal ideology that prevents money from being printed. If nothing more can be done today, this powerlessness and this paralysis of state creates the neoliberal affairs that were not prevented from calling on them whenever the system was on the brink of imploding. Nowadays, it’s more about saving capitalism than recognizing that it is impossible for it to reach full employment. Indeed, capitalism has no more of a philanthropic vocation than the financial markets have – which are the most visible and irritating product of it – and this is precisely why state intervention proves essential in calming down the economy, guaranteeing and protecting employment, and cracking down on abuse. If the state decided not to get involved in the money creation process, its sole source of financing would be in the issuance of bonds, knowing that the amounts borrowed within its national borders would be deducted from economic activity, rendering it lacking in money. Each Euro that the state lends to its nationals shall be one Euro less for investing and for business and consumer credit. Following the same reasoning, just as much employment is created thanks to government spending as is not created by the private sector. Indeed, state stimuli will allow new schools to be built, the road network to be improved and just as much work and expenditure that will clearly be made at the expense of industry and the services industry. Needless to say that good governance of public affairs leans towards sobriety and is clearly more advantageous – not only for public accounts but especially for developing initiatives and intelligence – with the private sector making the economy live on and prosper. It is due to all this that public deficits are rarely looked into by political authorities willingly or by choice, but rather out of a pressing need to compensate for the weak-
nesses of the public sector and what it lacks. It is therefore crucial to understand that public deficits are simply the consequence of the decline in aggregate demand and not their cause – deficits that will automatically be covered when the economy picks up. It is therefore crucial to understand that public deficits are simply the consequence of the decline in aggregate demand and not their cause – deficits that will automatically be covered when the economy picks up. By running into debt, by reducing taxes and by increasing spending, the state does nothing but fill gaps and holes left by the private sector. The economic cycle effectively works according to an interconnected diagram, in other words, a business area can only generate profit if another area spends or gets into debt at the same time.

In doing so, the state fulfills its public welfare obligations and puts people back to work by taking on, at least partially, the task of investing in the economy, temporarily put on hold by the private sector during the crisis. In this respect, tax reductions represent a leverage that admittedly matters, but which is also quite limited in effectiveness given the virtually zero impact on business profits and personal income. The same applies for maintaining low interest rates, which does not significantly favor lending to the real economy due to investors quickly resorting to more lucrative investments. With regards to money creation, if it is essential and if it undoubtedly occurs during a crisis period, it will not be able to continue on forever due to its implications on inflation and the bad practice that it instills in economic agents. These economic agents, in knowingly being able to rely on the generosity of the state, would be able to take part in more risky ventures. The state is therefore expected elsewhere, with its most effective and constructive action being on another level – that of the stabilization and regulation of private investment. It is by no means an issue of the government nationalizing companies, but rather of building partnerships with private sector operators so that its altruistic action serves as a regulator and conduit for private investment. Effectively limited to the areas of activity, the strength of companies and depending on the impact of a specific sector on the entire economy, this cooperation must lean towards achieving full employment, which could not be achieved without the stabilizing effect of the state. Contrary to what monetary theories would claim, the future is uncertain, the information available to us is incomplete and the markets are not perfect. This renders these partnerships and joint initiatives between public and private sectors imperative in achieving growth, buying bower and employment. It is therefore essential to restore the state to its rightful place in the economic system, on condition that it can exercise its control rationally and without political calculations. Indeed, only the state can reduce uncertainty.
That is why capitalism must become the business of all, since it is – and it is not only a recent phenomenon – in the hands of a tiny minority who is in control and who jealously guard it. An imperceptible shift nevertheless took place since the beginning of the 1980s, as the power of money passed from the hands of the captains of industry to those in high finance. In doing so, this financial oligarchy has gradually extended its domination to end up by, toward the mid-2000s, reigning over the entire real economy to which it became totally addicted through leveraging financialization. This ultimate sophistication in finance (which led to the subprime crisis in 2007, which itself was the starting point of our actual crisis) has become essential to the economy by showering it with liquidities. In passing, this financialization granted credit to households to give them the illusion of making progress in their way of life. All businesses and economic actors therefore adopted the market as the supreme reference and welcomed regulations meant for them. Without realizing that this financialization reverted in fact to an accrued monopolization of powers. Powers which were imperceptibly passed from the captains of industry and business men (who had at least were familiar with their workers and their production) between the hands – and computers – of a tiny elite of financiers whose role was more or less to open the tap wide with liquidities. Entrepreneurial tradition had up until then really created an added value to our society. Technological revolutions left a profound mark on it in order to have formed the genuine driving forces for corporations to become prosperous and the individual to develop. Indeed, profit had only ever been an instrument for these true businesses, not the ultimate objective for finance, since it was constantly reinvested, indeed in the interest of these entrepreneurs, but also for the entire human chain participating in it.