Economic possibilities for future generations: lessons from John Maynard Keynes for the 21st century

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Abstract

In 1930, Keynes published the famous and provocative essay entitled 'Economic Possibilities for Our Grandchildren, ' which is still very much referenced nowadays by Keynesian authors.

Keynes (1930) believed that with capital accumulation and technological advancement, human beings could allocate more and more time to issues related to the ‘arts of life,’ given the lesser need to occupy it exclusively with work activities.

Here we are in 2024, faced with structural unemployment in various economies, a high level of poverty even in the face of exceptional accumulated wealth, unacceptable social inequality, and on the verge of an ecological disaster. The famous “love of money” has not been overcome.

In this perspective, based on bibliographic research from Keynes's works, this paper discusses essential lessons that can provide better economic, social, and environmental possibilities for current and future generations. More specifically, the following guidelines are explored: i) income and wealth redistribution policies; ii) coordinated and countercyclical economic policies; iii) coordination of the investment decisions; iv) financial system regulation and capital controls; v) sustainable environmental policies; and vi) global economic governance.

Keywords: Economic possibilities; lessons from Keynes; future generations.

JEL codes: B00; E00; E32; E50; E60.

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1 Introduction

By demonstrating the unscientific character of the general principles of “laissez-faire”, Keynes (1926) sought to highlight the inability of the “market” to generate social well-being. The author was fully aware of the relationship between power and money and the collective problems resulting from the logic of competition between economic actors based on their interests. He knew that for capitalism to survive as a social organization, it was necessary to share the fruits of progress, even imperfectly. The State would be essential for this through public policies and collective action.

In 1930, Keynes published his famous essay "Economic Possibilities For Our Grandchildren", still widely cited today by many authors working in the Keynesian tradition. The author believed that with capital accumulation and technological advancement, human beings would devote their attention to issues related to the "arts of life" without occupying their time exclusively with work. He believed that, with accelerated technical progress, labor would only occupy a smaller and smaller fraction of people's daily time.

Here we are in 2024, before structural unemployment in many economies worldwide, a high level of poverty despite exceptional accumulated wealth, unacceptable and growing social inequality, and on the verge of an environmental collapse.

The famous "the love of money" was not surpassed. The accumulation of wealth continued to have enormous social importance. There was a progressive reaffirmation of the "detestable love of money" to use the words of Keynes (1930), despite the exceptional enrichment of nations that have occurred since then.

A retrospective assessment reveals that avarice, usury, and precaution, cited by Keynes (1930) in his famous essay, have deep roots in capitalism. According to the author, “Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight.” (p.331). A condition that reaffirms the paradox of scarcity amid abundance, with highly adverse socioeconomic and environmental effects.

Based on reflections made from these two essays, this article discusses some crucial lessons present in some selected works of Keynes, which can contribute to providing more exciting economic, social, and environmental possibilities for current and future generations. Therefore, the article discusses the guidelines from Keynes' thought, namely: i) income and wealth redistribution policies; ii) countercyclical and coordinated economic policies; iii) coordination of investment decisions; iv) regulation of the financial system and capital controls; v) public policies aimed at environmental sustainability; and vi) global economic governance.

2 Income and wealth redistribution policies

The capitalist system is an exceptional machine for creating wealth. However, it is a powerful system for generating economic and social inequality, especially without income and wealth redistribution policies.

Several factors explain this contradiction. However, its root lies in the fact that capitalism corresponds to a form of social organization based on social classes: on the one hand, there are the holders (owners) of wealth; on the other hand, there are those who do not have wealth. That power relationship reflects property relations expressed through unequal monetary-financial and patrimonial relations.

From a logical-historical point of view, four structural and interrelated characteristics of a capitalist economy contribute to accentuating this contradiction, which arises from the nature of this system. The characteristics are structural because they correspond to capitalism's way of being, from its logic of operation and dynamics.

Firstly, in a capitalist economy, based on the social division of labor and competitive dynamics, the decentralized decisions of capitalists aim at monetary profit. Since this is a system guided by the logic of appreciation and accumulation of wealth in its most general form, capitalists can set the process of valorization under their command, managing to appropriate the majority of the wealth created.

Therefore, capitalism corresponds to a system based on the logic of wealth accumulation and concentration of capital. This system's inherent characteristic is an imposition of inter-capitalist competition. According to Mazzucchelli (2004, p. 82), the concentration of capital is an "[...] inevitable result of the development of this production regime."[Translated][2]

Secondly, another structural characteristic of a capitalist economy concerns the progressive process of centralization of capital resulting from mergers and acquisitions that occur under the influence of competitive dynamics. This agglutination of capital means "the control of social capital by an increasingly small group of capitalists" [Translated] (Mazzucchelli, 2004, p. 83). This allows the expansion of production scales and the capacity to innovate on the part of large corporations, enhancing the accumulation process. This condition arises from appropriating most of the "new wealth" by those controlling this process.

Thirdly, it is worth noting that capital permanently tends towards its concept in the sense of self-valorization. It is the true general formula of capital, based on the D - D' circuit. Here, the categories established by Marx (1985) of interest-bearing capital and fictitious capital are essential for understanding this process. With the progressive development of finance, the appreciation of

[2] Therefore, it is possible to note the feedback relationship established between the concentration and capital centralization processes.

wealth through capitalization and the appreciation of asset prices has become increasingly relevant in capitalism. Braga (1993) explains that the capitalist becomes financialized, given the progressive interpenetration and interdependence of economies' productive-technological-commercial and monetary-financial spheres, whose dynamics occur under financial dominance.

As Braga (1985; 1993; 1997) explained in his pioneering works on financialization, this phenomenon concerns the 'systemic pattern of wealth' in contemporary capitalism. It is a 'pattern' in reason of the form that wealth is defined (currency-credit-equity, with significant importance of financial capitalization), managed (financial macrostructure, space where the negotiation of monetary-financial assets takes place), and realized (increasing importance of financial gains relative to operational gains) in the contemporary capitalism. It is 'systemic' because it contemplates the diversity of relevant actors in this system, albeit in different degrees and intensities, whether directly or indirectly. Finally, it is 'Wealth' because, in this system, capitalist decisions aim to permanently valorize and accumulate wealth in monetary or near-monetary forms – i.e., financial assets with high liquidity.

Fourthly, capitalism is a system in which innovation and technical progress are also part of its way of being due to the competitive process. The continuous innovation and permanent technological progress that characterize capitalism, weapons used by corporations to get ahead of their competitors and obtain extraordinary profits, promote an increase in the total productivity of production factors, giving rise to a structural tendency of this system towards redundancy of the workforce in the production process. This would not be a problem if the progressive reduction in the need for work in the production orbit provided better living conditions for the worker - conditions that require full employment and transfer of the productivity gains for wages. However, the context of globalization and financialization has produced a significant increase in profits at the expense of wages in national income.

Instead of technical progress and the development of capitalist productive forces providing men and women with an existence dedicated to the pleasures of life, as imagined and desired by Keynes (1930), the exaltation of the love of money, structural unemployment, and job instability are striking characteristics of modern capitalism (Fracalanza; Corazza, 2013).

It would be unnecessary to note that these structural characteristics generate significant inequalities in income and wealth. In a capitalist economy, wealth tends to become increasingly concentrated and centralized without interventions to change its functioning. Furthermore, as Piketty (2015) warned, the concentration of financial wealth in a small portion of the population, associated with the dizzying growth prices of financial assets over time, has deepened income inequality.

The important point is that the socioeconomic inequality inherent to the capitalist logic requires economics actions by the State. In general, during the 'golden age' of capitalism the stat

ensured social mobility and the transfer of a relevant part of productivity gains to wages. During the period of globalization and financialization, in turn, this problem became more evident. Inequality has increased substantially within and among countries, a phenomenon that is expected in increasingly liberalized and deregulated markets. In addition to the worsening of income and wealth inequality among nations, this process also occurred within countries, even giving rise to the phenomenon of 'peripheralization of developed countries'.

As Keynes (1926) had already warned in the 1920s, free market promotes inefficiency. It does not enable collective well-being, in exact opposition to the results defended by supporters of laissez-faire. It would be unnecessary to remember that the increase in income and wealth inequality contributes to the social delegitimization of capitalism as a form of social organization despite being compatible with its logic and operating dynamics - based on the unlimited valorization and accumulation of wealth. The State, therefore, is responsible for managing these contradictory processes, including ensuring capitalism as a form of social organization.

To reduce the income and wealth inequality produced by capitalism, the State must implement public policies aimed at their redistribution. The structuring of an efficient and progressive tax system, with taxes on income and wealth, on the one hand, together with public spending capable of meeting the demands of society, especially its less favored portion, on the other hand, constitutes an excellent way to deal with the problem. Creating sophisticated Welfare States capable of providing decent living conditions for citizens contributes in the same direction.

In the Western world, contemporary capitalism has been unable to integrate the less favored and has put the very existence of the middle class at risk, given the comprehensive process of deindustrialization. Under the aegis of globalization of markets and neoliberal ideology, the current economic model creates wealth but does not distribute it. In the wake of this process, societies in the Western world became highly divided between rich and poor, resulting in a progressive decline of the middle and popular classes (GUILLUY, 2018).

The distributive issue is certainly one of the significant and challenging issues of the 21st century, which needs to be faced by all countries. In addition to the economic issue, this is a humanitarian issue. The world has never been so rich. However, an important fraction of the world's population still lives under deprivation or even inhumane conditions. Redistributive policies, therefore, aim to deal with the problem of scarcity amid abundance through State action to facilitate collective well-being. As Keynes (1926) asserted, individuals acting in favor of their interests do not promote the collective interest. This behavior results in the exact opposite.

The need for advances in the distribution of income and wealth cannot be limited to the economic domain since it constitutes a question of social, ethical, and moral order.

3 Coordinated and countercyclical economic policies

Initially, it is necessary to note that in a capitalist economy, the economic and the social are inseparable, as well as the relationship between State and market. This means that economic policies affect the social dimension, just as social policies affect the economy (WOLF, 2019). Therefore, not only economic policy, for the reasons explained below, needs to assume a coordinated and countercyclical role in a capitalist economy, but also social policy - little developed in Keynes's works but certainly convergent with the logic of his reflections. Therefore, it is essential to carry out coordinated and countercyclical economic and social policies to ensure human dignity.

Remembering that a capitalist economy constitutes an inherently unstable system is essential. In addition to being permanently subjected to exogenous shocks, its endogenous instability arises from fluctuations in capitalists' investment decisions, given the process of forming expectations in a context of radical uncertainty, as well as the fragility of the financial structure of the economy that takes place in business expansion times (KEYNES, 1936; MINSKY, 1982).

Therefore, in contexts marked by increased uncertainty, capitalists' spending on instrumental assets is reduced, causing a contraction in effective demand. A capitalist economy has a hierarchy of spending decisions, with capitalist spending determining output and employment levels. Indeed, the contraction of investment spending causes a decrease in productive activities, with adverse effects on income and employment. In these contexts, the State is responsible for acting through coordinated and countercyclical economic policies to restore effective demand caused by the contraction in private spending (KEYNES, 1936).

From a practical point of view, in these contexts, the State can and must carry out expansionary fiscal and monetary policies, on the one hand, and expand the social policies, on the other hand. The payment of benefits with increased value to the beneficiaries of social programs, such as unemployment benefits and social assistance benefits, are good examples in this sense. Both economic and social policies contribute to the restoration of effective demand and the well-being of the most fragile population.

Regarding the weakening of the financial structure underlying capitalist economies, it is not the purpose of the article to discuss Minsky's financial instability theory (1982; 1986). It is sufficient to remark that a capitalist economy (essentially monetary) corresponds to an interrelated balance system: credits correspond to debts. In this cash flow approach, during periods of economic expansion, economic actors increase debt levels and reduce their safety margins. The agent's behavior makes the system more dependent on financing and refinancing conditions, increasing its financial vulnerability to interest rate changes or exogenous shocks.

Therefore, adverse changes in the system's financing and refinancing conditions, whether due to endogenous or exogenous factors, cause a contraction in actors' spending decisions, adversely affecting income and employment. In these circumstances, central banks must act as lenders of last resort. Governments must carry out expansionary fiscal policies to offset the retraction of private spending. And public banks must expand credit operations to compensate for the contraction in credit from private banks, resulting from the procyclical behavior of these institutions.

Given the relevance of countercyclical economic policies, this section discusses: i) countercyclical policies do not mean permanent fiscal or monetary expansion or contraction; and ii) State intervention in the economy occurs in the context of ‘market vigilance’. Therefore, there are higher and lower degrees of economic policy autonomy (policy space), depending on several factors, including the form of insertion of the economy into the international system, if more or less subordinate/sovereign; the existence or not of monetary sovereignty; the level of the national currency convertibility in the international monetary system; the level of international liquidity; the degree of risk aversion of global investors; the degree of macroeconomic stability, including price stability, etc.

Regarding the first question, focusing more on the discussion of economic policy, it is not uncommon to find in conventional literature that Keynesian economic policies are policies for the permanent expansion of public spending. Nothing could be further away from the truth. If so, these policies are procyclical. With countercyclical economic policies, the State seeks to manage the business cycle to avoid problems such as unemployment, inflation, external account imbalances, etc. Meanwhile, to clarify the issue based on the management of fiscal and monetary policies, in periods of accelerated economic expansion capable of putting macroeconomic stability at risk, the State must slow down or reduce spending and/or increase revenues in the fiscal ambit and carry out tighter monetary policy. In this way, economic policy focuses on regulating the business cycle, seeking to avoid instability resulting from the procyclical behavior of economic actors.

That brings us to the second question mentioned. Why do many national states not implement coordinated and countercyclical policies if these policies are necessary?

It is a complex and fundamental issue, but it would require an article dedicated exclusively to this topic. Now, a few brief considerations to stimulate reflection and debate. There are three interrelated points highlighted about this in this article.

Firstly, if a State has monetary sovereignty, that is, it is able to issue its own currency, there are no technical limits to issuing public debt and, therefore, expanding public spending. However, the financial markets convention is that the public deficit monetary financing necessarily causes inflation regardless of supply and demand aggregate conditions, a condition that increases market interest rates. The argument that the expansion of the money supply necessarily and

irremediably causes inflation originates from the quantitative theory of money, whose assumptions are highly susceptible to questions. It does not mean that monetary expansion can never cause inflation. However, an increase in the money supply does not necessarily cause inflation because it depends on aggregate demand and supply conditions.

Secondly, in dichotomous terms, the wealth can be denominated in an inconvertible or convertible currency. If the currency is internationally inconvertible, the actors' distrust of the government's ability to honor its debt can give rise to a flight to quality. In this context, to avoid exchange rate devaluation and loss of international reserves, the State can implement measures to discourage the exit of capital flight. However, such measures may discourage the entry of foreign capital into the country and put upward pressure on market interest rates. Even so, the market's distrust can be mitigated or even reversed through a consistent fiscal policy oriented toward economic growth. After all, stability or even a reduction in the public debt/GDP ratio can occur by reducing the numerator and desirably by increasing the denominator - which tends to become impossible with the implementation of procyclical economic policy.

Thirdly, supposing that investors reduce their public debt securities in their portfolios, the interest rate curve tends to become more inclined. In theory, the central bank can act on the term structure of the interest rate, seeking to avoid the increase in the slope of the interest rate curve, but this may require a significant expansion of the central bank's balance sheet. If the Treasury cannot meet all the public sector's financing needs, there will be a need to expand the monetary base. In this case, the central bank will be responsible for wiping this additional liquidity by selling securities on the market to make it possible to reach the pre-established short-term interest rate.

From a technical point of view, nothing prevents the Central Bank from acting on short and long-term interest rates. There are recent relevant and successful experiences in this regard, particularly in developed countries. The cost-benefit ratio of such a strategy is an important issue and needs to be better and more widely debated. In the case of the United States, the most emblematic experience of intervention by a central bank on the yield curve, the Federal Reserve did so through massive interventions in the bond market aimed at reducing long interest rates once the determination of the long-term interest rate occurs based on portfolio decisions made by wealth holders. Therefore, central bank interventions to influence the yield curve may require a significant expansion of the monetary authorities' balance sheets, with effects on public debt.

Keynes (1936) proposed the implementation of coordinated and countercyclical economic policies. Currently, faced with permanent ‘markets vigilance’, many states do not carry out such policies, even when necessary, due to default risk and its potentially harmful effects. In a

countercyclical fiscal policy, surpluses generated during periods of economic expansion make it possible to increase public spending during periods of business contraction.

However, the unstable dynamics of a capitalist economy do not respond to this mechanical/cycloid movement, as a period of economic contraction can be followed by another period of contraction shortly after that. Carrying out significant and lasting countercyclical policy would be necessary in both cases.

The markets may disapprove of countercyclical policies, given the established convention that these policies increase the default risk of public debt. Implementing countercyclical economic policies oriented towards spending capable of increasing output, income, and employment is the best solution from an aggregate point of view. To achieve this, it is up to the State to seek to build conventions compatible with an economic policy of this nature, which requires negotiation capacity, credibility, and public men and women up to the challenges of their time. After all, this is not a question of a purely technical nature but rather a political one.

On the one hand, it is necessary to recognize the pragmatism of markets (i.e., portfolio decisions of wealth holders), their behavior based on conventions that may make sense for each actor but not for the economy as a whole (i.e., composition fallacy). On the other hand, it is necessary to recognize that conventions can change, the State has instruments capable of influencing economic decisions, and society needs public policies to guarantee human dignity, including making capitalism viable and persistent as a form of social organization. These two sides pose challenges to policymakers, which are difficult to reconcile.

Therefore, Keynes's lesson is that coordinated and countercyclical economic policies are essential in a capitalist economy, with the State having the capacity to modify and institute new conventions. However, attributing viability to this has been challenging in modern capitalism, especially for peripheral countries with highly subordinated and inconvertible currencies in the international system.

4 Coordination of investment decisions

Keynes (1926; 1936) was quite clear that in a capitalist economy, in which the decentralized spending decisions of capitalists determine income and employment levels in a context of radical uncertainty, the coordination of investment decisions is crucial for economic dynamics.

Ten years before the publication of his General Theory, in one of the essays that served as inspiration for this article, Keynes (1926, p. 291) stated:

> Many of the greatest economic evils of our time are the fruits of risk, uncertainty, and ignorance. It is because particular individuals, fortunate in a situation or in abilities, are able to take advantage of uncertainty and ignorance, and also because for the same reason big

> business is often a lottery, that great inequalities of wealth come about; and these same factors are also the cause of the unemployment of labour, or the disappointment of reasonable business expectations, and of the impairment of efficiency and production.

As investment is the crucial macroeconomic variable from the point of view of economic dynamics, its fluctuations cause chain effects on the economic circuit because investment decisions are made based on expected demand - that is, on expectations regarding the uncertain future. For Keynes (1926, p.291), the resolution of this problem requires the action of the State once "[...] the cure lies outside the operations of individuals [...]".

Later, in chapter 24 of his General Theory, Keynes (1936) elaborated on this proposal for coordinating investment decisions in a more organized way, calling it the 'socialization of investment decisions'. Keynes (1936, p.345) was fully aware that the delegation of investment decisions exclusively to the private sector (based on decentralized decisions) was not only a considerable danger but also a recipe for the failure of capitalism.

As Chang (2013) demonstrates, planning has been a vital feature of the wealthiest economies in the world, including financing policies for R&D activities, investments in infrastructure, incentives for sectors that are considered strategic, etc. Several countries have done, are doing, and will continue to do this. There is no need to appeal to the Chinese development experience based on five-year plans drawn up and implemented by the Chinese Communist Party. Countries such as the United States, Japan, and Germany have used and continue to use a variety of development-oriented planning actions. As Chang (2013, p. 290) states, "The question is not planning or not planning, but planning the right things at the appropriate levels" [Translated]. Based on the notion of 'indicative planning', the author argues that it is up to the State to work in a coordinated manner with the private sector to attribute viability to economic progress.

Therefore, another important lesson from Keynes (1926; 1936) concerns coordinating investment decisions in a capitalist economy. In a capitalist economy, investment decisions determine output and employment levels. Without planning and coordinating these decisions, the instability inherent to this system tends to intensify due to the private sector's decentralized decision-making process. The absence of coordination investment makes economic development unfeasible and puts capitalism at risk as a form of social organization.

5 Financial system regulation and capital controls

Financial globalization was possible through broad and profound deregulation and liberalization of financial markets. While financial deregulation concerns the reduction or elimination of legal and institutional restrictions established by governments on national financial systems, financial liberalization corresponds to the reduction or elimination of taxation and regulations imposed by governments on international capital flows.

Keynes contributed significantly to understanding the importance of money and credit in a capitalist economy (monetary economy, by definition) and the risks associated with the free movement of international capital flows. The regulation of the financial system can be justified, based on Keynes' reflections, to make financing and refinancing operations of the system viable and to avoid broad and accentuated processes of financial fragility of economies (MINSKY, 1982; 1986). Capital controls, in turn, are justified to prevent international capital flows from causing destabilizing effects on economies and to allow the use of economic policy for full employment.

5.1 Financial system regulation

There is a wide range of literature on the role of the financial system in economic growth and the discussion on the importance of its regulation. It transcends the objectives of this article to provide a detailed treatment of this topic. The aim here is to highlight the importance of financial system regulation to enable the system's financing and refinancing operations, which are crucial for investment decisions, and to avoid ruptures in the economic circuit due to the financial structures' fragility.

Keynes (1930; 1933; 1936; 1937) laid the foundations for a critical reflection on the financial system in a capitalist economy, such as: i) the capacity of banks to create means of payment; ii) the notion of a capitalist economy as a credit economy, based on the concept of monetary production economy; iii) the key position of banks in enabling a faster pace of economic activity, given the ability to accommodate the demand for liquidity on the part of entrepreneurs (finance motive for the demand for money); iv) the independence of the acts of saving and investing, as a consequence of the existence of credit; and v) the importance of the financial system towards debt consolidation (funding). Given the financial system's centrality in a capitalist economy, it does not make sense to let it operate freely. After all, if investment corresponds to the economy's engine, credit corresponds to the fuel that makes its proper functioning possible.

It is essential to highlight that the financial system can be more or less functional for economic growth, depending on the prevalence and combination of several factors, including size, depth, and liquidity; capacity of innovation; legal-institutional framework; macroeconomic stability; incentives system, etc. The functionality of the financial system concerns its ability to enable finance and funding under conditions (terms and rates) compatible with investment projects, thereby incurring the smallest possible increase in the degree of the economy's financial fragility (STUDART, 1995; PAULA, 2013).

In capitalism, financial institutions seek profits like any other institution. To make it viable, these institutions submit themselves to various risks. After all, as Galbraith (1975, p. 21) highlighted, regarding the process of creating currency by banks and the interest earned by these

institutions from these operations, “When there is such a reward, men have the instinct for innovation” [Translated]. In addition to the instinct for innovation, the incentive for imprudence results from the fact that idle resources do not (or should not) yield interest. The behavior of financial institutions, in general, and banks, in particular, tends to be typically procyclical, as is the case of other institutions subject to the process of forming expectations in a context of uncertainty. Objectively, this means that, in phases of business acceleration, these institutions tend to increase the pace of activities. In contrast, in contexts of business contraction, they tend to magnify the recession or crisis.

Therefore, financial system regulation can contribute to ensuring adequate financing and refinancing conditions, positively affecting investment decisions and financial system stability. Once the capitalist economy is a debt economy, a system of interrelated balance sheets, throughout the phases of economic expansion, the financial structure's fragility degree tends to increase due to the reduction of the economic actors' margin of safety (Minsky, 1982). In this way, a deregulated financial system tends to be more susceptible to instability and crises and less functional for economic development.

There are many other arguments in favor of the regulation of financial systems than those briefly presented here, such as directed credit policy to strategic sectors based on rules set for the private sector and the actions of public banks, setting interest rate ceilings, and establishing compulsory reserves. It is a controversial topic. In the conventional perspective, initially formulated by Shaw (1973) and McKinnon (1973), such policies contribute to the opposite: the financial repression of economies, discouraging the development of savings and debt-credit relations.

Given the financial system's crucial role in a capitalist economy, Keynes would probably agree with regulating national financial systems to make investment decisions viable and ensure their stability. He certainly also would be in favor of a level of regulation capable of not repressing the necessary incentives for the private sector and providing the formation of what Braga (2014) called ‘industrializing finance’, that is, a system capable of enabling a virtuous relationship between the productive and financial circuits for wealth valuing.

5.2 Capital controls

The contemporary International Monetary System (IMS) is based on national currencies and has the dollar as hegemonic currency. This system is hierarchical and asymmetrical. The hierarchy of international currencies is a characteristic feature of the contemporary IMS, also characterized by fiat money, the flexible (or floating) exchange rate regime, and the high international mobility of capital (Prates, 2005). Therefore, the dollar standard is flexible, fiduciary (fiat money), and financial (dollar as the unit of account in the international system).

With the dissolution of the Bretton Woods system and the financial market liberalization and deregulation, the international capital flows have become highly destabilizing - a structural instability due to the contemporary global monetary order, which has a well-defined hierarchy of currencies.

The monetary asymmetry from which the monetary hierarchy arises gives rise to financial and macroeconomic asymmetries. The financial asymmetries refer to: i) the predominantly exogenous determination of international capital flows, making countries susceptible to capital flight, ultimately regardless of their internal foundations; and ii) the marginal participation of peripheral countries in international capital flows but whose volumes are capable of substantially affecting their key macroeconomic prices due to the relative size of their financial systems, such as interest rates, exchange rates, and inflation rates. Therefore, these monetary and financial asymmetries result in significant macroeconomic asymmetries between central and peripheral countries regarding the degree of economic policy autonomy (PRATES, 2005).

In contexts of increased uncertainty and deterioration in the general state of expectations, international capital flows towards the haven of globalized wealth, represented by the financial system and public debt securities of the United States - the hegemonic country issuing the hegemonic currency, the dollar (METRI, 2004; OLIVEIRA, 2012). Last but not least, the management of wealth holders' portfolios began in a globalized space, making it possible to carry out portfolio allocation instantly due to technological advances in recent decades.

Consequently, countries are subject to unexpected and abrupt changes in international capital flows, with highly destabilizing effects on crucial macroeconomic prices, often making it impossible to carry out economic policies aimed at domestic objectives.

Capital flow management can reduce these unstable effects. Capital controls comprise all measures to influence a country's capital inflows and outflows. These measures may constitute direct barriers, such as compulsory deposits on capital inflows, taxes on capital outflows/inflows, and quantitative restrictions on capital flows. It also may include indirect barriers, such as multiple exchange rate systems and regulatory restrictions on external debt. It is also worth noting that capital controls can be temporary or permanent (CARVALHO; SICSÚ, 2004).

Capital control is essential for the government to manage various economic policy instruments to enable full employment autonomously. It is no coincidence that one of the central characteristics of the Bretton Woods system was the control of international capital flows. Keynes was also clear about the importance of international trade in enabling and sustaining peace within the scope of international relations. Therefore, he understood that trade relations transactions should not be subject to capital controls. Keynes (1941, p.86), in an excerpt from his preparatory writings for the Bretton Woods Conference, stated that:

> I share the view that control of capital movements, both inward and outward, must be a permanent feature of the post-war system.
> If this control is to be effective, it probably involves the machinery of exchange control for all transactions, even though a general open license is given to all remittances in respect of current trade.

Despite the disagreements between Keynes and Harry Dexter White in the Bretton Woods agreements, both were clear that capital controls represented a crucial element in making a system of stable exchange rates viable. For Keynes, a context of free international capital was not compatible with the autonomy of economic policy. This problem, later called the 'impossible trinity', was central to Keynes. In a debate with Roy F. Harrod in 1942, Keynes (1942, p.149) asserted the indispensable nature of controls and stated that:

> In my view the whole management of the domestic economy depends upon being free to have the appropriate rate of interest without reference to the rates prevailing elsewhere in the world. Capital control is a corollary to this.

Based on the 'efficient markets hypothesis', the mainstream economics approach was against using capital controls for a long time. In this view, such instruments helped to adversely affect the efficient allocation of resources, the international diversification of risks, and the competitiveness of financial systems. Last but not least, the controls would be useless as they would be unable to achieve their purpose given the innovations and agility of financial systems.

But this was different from the Keynes' understanding. It would be unnecessary to say that given the fundamental uncertainty, it makes no sense to accept the 'efficient markets hypothesis' as appropriate. The increasingly strong evidence favoring capital controls has meant that mainstream economics began recognizing the relevance of using controls on international capital flows. But differently from Keynes, this recognition was for temporary capital controls, not permanent ones (ANGELICO; OLIVEIRA, 2017).

Although capable of being adopted by countries, the permanent capital controls go against the contemporary international monetary-financial system since these instruments restrict global capital flows towards assets denominated in the hegemonic currency, mainly in contexts of increased uncertainty. This condition permanently reinforces and reintroduces the dollar hegemony in today's international relations. Therefore, Prates and Cintra (2007, p.25) state:

> [...] Keynes would probably agree that an economic policy based on capital controls and a dirty float regime (which guarantees a stable trajectory for the exchange rate and the accumulation of reserves in key currency) could contribute to mitigating the effects harmful effects of monetary asymmetry in terms of loss of economic policy autonomy and external vulnerability. [Translated]

The intensity of capital controls is connected to 'policy space'. Financial markets do not look favorably on any measure aimed at regulating markets, including capital controls. Therefore, economies have a greater or lesser capacity to adopt capital controls. According to Oliveira et al. (2019), economies with a high level of international reserves tend to be more capable of adopting

permanent capital controls, reducing the destabilizing effects caused by abrupt and unexpected movements in foreign capital flows.

Keynes' understanding of capital controls is fully compatible with the main message in his essay ‘The End of Laissez-faire’. On the one hand, if the instinct for gain and the love of money lead the system towards total freedom of international capital flows, on the other hand, we must remember the passage from the essay mentioned above by Keynes (1926, p.292-93), which highlights the possibility of improving the capitalism whenever need. After all, his reflections were, according to himself, “[...] directed towards possible improvements in the n directed towards possible improvements in the technique of modern capitalism by the agency of collective action.”.

6 Public policies for environmental sustainability

The capitalist advance over time entailed a significant destruction of the environment. The free market logic tends to have increasingly destructive effects on society and the environment (POLANYI, 1944).

For authors like Marques (2015), it is only possible to escape environmental collapse with the end of capitalism. For this author, the idea of uninterrupted economic growth as a source of prosperity and security no longer makes sense, given the destructive effects of capitalism on the environment. In the author's words (2015, p.48), "The ability to subordinate economic goals to the environmental imperative does not belong [...] to the mental coordinates of capitalism" [Translated].

For neoclassical economists, technological advances and other innovations promoted by capitalism and induced by the condition of scarcity tend to avoid environmental collapse. Marques Filho (2015) calls this current ‘technolatry’, that is, the idolatry of technology as a means capable of transforming nature, thus overcoming the limitations imposed by the finiteness of natural resources. But according to Romeiro (2019, p.289):

> However, what remains unindicated in the analysis is how the transition to another mode of production would occur and what it would be since, under capitalism, it would be impossible to face the environmental challenge, and the ‘eco-socialist’ solution is implicitly disregarded. [Translated]

Anyway, the fact is that the evidence regarding the destruction of the environment and its multiple adverse effects on the planet, its ecosystem, and its biodiversity is increasingly worrying, with harmful impacts on societies. The recent SARS-CoV-2 pandemic has highlighted the discussion about the environment even more. This virus, as well as several others, such as Ebola, West Nile virus, Sars-CoV-1, Marburg virus, Zika virus, etc., corresponds to zoonotic disease, a disease transmitted from animals to humans, primarily caused by the destruction of biodiversity.

According to the United Nations Environment Programme (2016), zoonotic diseases account for 60% of all human infectious diseases and 75% of all emerging ones. In 2012, the number

of deaths linked to environmental factors was 3.8 million in Southeast Asia, 3.5 million in the Western Pacific, 2.2 million in Africa, 1.4 million in Europe, 854 thousand in the Eastern Mediterranean, and 847 thousand in the Americas.

If Keynes (1930) had written his essay today, the environmental issue would be prominent in his reflections. After all, ecological destruction is so evident that there is no way to think about better economic possibilities for current and future generations without environmental conditions suitable for human life.

It is possible to make Keynes' thoughts compatible with environmental sustainability. According to Alvarenga Jr. and Young (2021, p. 86), this can be made through four principles: “(i) Principle of Effective Demand including environmental dimension; (ii) Principle of environmental non-neutrality; (iii) Principle of non-convergence to sustainability; (iv) Principle of constrained growth” [Translated]. According to the authors, such principles lay the foundations for constructing a post-Keynesian macroeconomics of the environment.

Briefly, the first principle means that, in a capitalist economy, not only the levels of output and employment are determined by spending decisions but also the levels of use of natural resources and pollution. The second, in turn, means that, in a business economy, economic policy can affect the levels of output and employment and, consequently, the levels of use of natural resources and pollutant emissions. The third principle (non-convergence to sustainability), in turn, maintains that a capitalist economy does not have automatic mechanisms capable of providing either full employment or environmental sustainability, a condition that requires the State's participation in this system. Finally, the fourth principle says that the total capital stock, including natural resources, is capable of constraining economic growth in the long term, which raises the need for a productive structure based on renewable natural resources instead of non-renewable ones as well as the conversion of the current economic system (non-circular) to one based on the circular economy (reuse of resources) (ALVARENGA JR.; YOUNG, 2021).

These principles indicate the need to rethink the forms of the State’s intervention. As Alvarenga Jr. and Young (2021) point out, public policies for the recovery and conservation of the environment become fundamental for socioeconomic and environmental sustainability; incentives for sectors linked to the green economy; the use of more efficient technologies from the point of view of using non-renewable natural resources, above all; stimulating industries and sectors that are not intensive in natural resources, but rather intensive in technology and knowledge; encouraging the circular economy, etc. At the same time, such policies reveal that it is possible to stimulate employment and income, and enable environmental sustainability.

Important policy initiatives to encourage income and employment linked to environmental sustainability have emerged in recent periods, such as the Green New Deal in the

United States; the Green Economy, the United Nations environment programme launched in 2011; and the Environmental Big Push, established in 2018 by the Economic Commission for Latin America and the Caribbean (ECLAC) in partnership with the Center for Management and Strategic Studies (CGEE) and the Friedrich Ebert Foundation (FES). These initiatives demonstrate that this agenda has been expanded. In the words of Alvarenga Jr. & Young (2021, p. 92):

> A solution to the climate crisis without the active participation of the State is unlikely, given the scale of investments necessary to change the structure of national economies and the uncertainties that change in the technological paradigm impose on private investments. The coordinated action of the State, through its economic policies and regulatory frameworks, is a decisive factor in reducing uncertainty and increasing the attractiveness of low-carbon and low-impact sectors for private investments. In this sense, the State is essential to catalyze these transformations and, above all, to make them viable. [Translated]

Last but not least, the European Union's (EU) regional policy for environmental protection has proven to be another exemplary case of a successful initiative aimed at environmental sustainability. In the case of the EU, the national policies are implemented with supranational policies, particularly Regional Policy. The EU's regional or cohesion policy finances investments aimed at the sustainable development of the bloc's least advanced economies, using resources from the community budget. In particular, the European Fund for Strategic Investments (EFSI), created in 2015, aims to finance investments aimed at increasing energy efficiency and the development of renewable energy sources to reduce the emission of gasses that cause the greenhouse effect and to contain global warming (WOLF; OLIVEIRA, 2018).

Therefore, preserving the environment requires the involvement of the State in the system because laissez-faire does not promote convergence toward environmental sustainability. The end of laissez-faire, defended by Keynes (1926), is necessary for ecological preservation. It is only possible to think about improving living conditions for future generations by considering environmental sustainability, which requires rethinking paradigms, the current economic system (non-circular), and the different ways the state operates in the economy. Environmentally sustainable countercyclical policies should prevail for the business cycle administration and the feasibility of full employment.

7 Global economic governance

Today's world requires a new system of global governance (STIGLITZ, 2006). Briefly, global governance corresponds to a set of institutions, including norms, rules, organizations, etc., aimed at organizing, regulating and shaping the international system. Several areas are involved in global governance, such as the economic dimension (international trade and finance and regional integration), environmental, health, legal, etc. (CLARKE; EDWARDS, 2004). This section's discussion is limited only to the economic dimension.

The current global economic governance system has proven incapable of dealing with the global problems that have marked contemporary capitalism under market globalization. It is outdated

and needs to be rethought and reformulated, as it relies on the institutions created to organize, regulate, and shape the international order built in the years following the end of the Second World War. With the collapse of the Bretton Woods system, the global economy was profoundly transformed. Nevertheless, the current global governance system is essentially the same as that defined at Bretton Woods, based on the World Bank and the IMF. A little later, in 1947, the General Agreement on Tariffs and Trade was established, later succeeded by the World Trade Organization (WTO) in 1995.

As Clarke & Edwards (2004, p. 3) explain, global governance depends on three elements that suffered mutations over time: the actors and their relationships with each other; the context in which these actors operate; and ongoing trends. In the words of the authors:

> Global governance, therefore, hinges on three interrelated elements: the changing nature of the actors and their relationship to each other, the increasingly complex context within which they operate, and the nature of the often interdependent trends that, taken together, represent globalisation.

Therefore, global governance must be permanently updated and reformed since its determining factors change over time.

For Stiglitz (2006), a new global governance system is essential to deal with the transformations of the last few decades and democratize international relations through the more effective participation of poor countries in this system. For the author, this is fundamental to reducing the domination of advanced economies and large multinational corporations over the contemporary international system. He says that would allow poor countries to benefit from globalization. According to Stiglitz (2006, p. 21): "We have a chaotic and uncoordinated system of global governance without global government [...]"[Translated]. According to Carvalho (2004, p. 52):

> The institutions created at Bretton Woods, the International Monetary Fund, and the World Bank need to receive the global approval that would be expected if the conference's intentions had come true. The ongoing international monetary instability is still a cause for constant concern today, as is currently the case with expectations of a drastic devaluation of the dollar. The IMF has long ceased to be useful for developed countries, and its actions in developing countries are the subject of fierce criticism, both on the left and right of the political spectrum. The same happens, although to a much lesser extent, with the World Bank. [Translated]

It would be idle to note the importance attributed by Keynes to the global governance system, given his expressive commitment in this regard at the Bretton Woods Conference in 1944. His proposals for structuring a post-war international order, conventionally called the ‘Keynes Plan’, strongly demonstrated their concern with creating an institutional arrangement capable of guaranteeing global stability and peace. Keynes was very clear about the catastrophic effects caused by international disorder, as was evident during the interwar period.

Keynes proposed the creation of formal institutions capable of enabling an international order functional for economic prosperity and ensuring stability and peace, even if this implied the

abdication of part of the countries' economic policy autonomy in favor of common objectives. At the time, his concern fell mainly on the international monetary-financial system. In this context, he proposed: i) the creation of an international and supranational money, the bankor, to allow the advancement of trade regardless of the availability of gold and avoid the 'exorbitant privilege' of the country issuing the international currency; ii) the creation of the International Clearing Union, responsible for clearing payments and receipts arising from economic relations between countries and which would fulfill the role of the global monetary authority, with the task of issuing bankor, seeking to avoid deflationary adjustment of the balance of payments by deficit countries; and iii) adoption of capital controls by countries, to provide a system of fixed exchange rate parities and avoid the destabilizing effects caused by movements of international capital flows on economies (CARVALHO, 2004).

Of course, the winning proposal was that of Harry Dexter White, representative of the United States delegation and the American Congress. It gave rise to the international order of Bretton Woods, based on institutions that were much less ambitious than those proposed by Keynes. Anyway, it was an institutional structure at a global level that contributed to the viability of the 'Golden Age' of capitalism. The point to be highlighted again is that this arrangement has become anachronistic and, therefore, insufficient to deal with the new issues and actors raised by globalization.

However, there is a contradiction regarding the issue involving global economic governance that needs to be considered: on the one hand, the high degree of economic integration between countries suggests the need to create international institutions aimed at organizing, regulating, and shaping economic relations between the different countries of the world, on the other hand, globalization contributes to suppressing international institutions aimed at managing, regulating and shaping such relations. Amid this contradiction, a global economic governance system prevails that is incapable of adequately dealing with the issues and challenges of today's international system, although compatible with the neoliberal ideology.

The current global economic governance, although outdated, uncoordinated, disorganized, little democratized, and with a reduced capacity to resolve problems, challenges, and collective conflicts in an agile, efficient, and fair way, appears somewhat functional for the center of the current international system. However, this situation paradoxically contributes to questioning the legitimacy of the hegemonic center. This contributes to explaining the most recent pressure by reforms in the traditional Bretton Woods institutions.

In this sense, several initiatives are emerging in the global governance system, particularly in its economic dimension, reflecting the tensions arising from transformations in the world economy. They are not restricted to reforms in the traditional Bretton Woods institutions, involving, for example: i) the creation of new actors in the international system, such as the BRICS

group - a group composed of Brazil, Russia, India, China, and South Africa, which although not an institution has institutions in common (development bank and contingency reserve fund); and ii) the G20, a group created in 1999 and formed by finance ministers and central bank presidents from the 19 largest economies in the world plus the EU, in response to the financial crises in the 1990s.

Advancing the global economic governance agenda represents the possibility of reinforcing the international cooperation system between countries, converting decision-making spheres regarding the future of humanity more coordinated, democratic, and capable of dealing with the complex challenges of the contemporary world. Keynes had this in mind when he thought about the international order created in the years following the end of the Second World War. Therefore, he left this important lesson for the 21st century.

8 Conclusion

In a way, the neoliberal era we are living in is very similar to society's feeling towards the State in the 18th century, as Keynes (1926, p. 275) explained in the following passage of his essay: "Almost everything which the State did in the eighteenth century in excess of its minimum functions was, or seemed, injurious or unsuccessful.".

Keynes (1926, p. 276), as we know, sought to combat that dogma. In his words, “[...]state action should be narrowly confined and economic life left, unregulated so far as may be, to the skill and good sense of individual citizens actuated by the admirable motive of trying to get on in the world.”. In this same essay, Keynes (1926, p. 279) did not hesitate to recognize that “The phrase laissez-faire is not to be found in the works of Adam Smith, of Ricardo, or of Malthus. Even the idea is not present in a dogmatic form in any of these authors. […]”. However, the fact is that after the short ‘Golden Age’ of capitalism this dogma returned with all its force, having produced adverse results from the point of view of collective well-being. Since then, world wealth has increased rapidly but in an increasingly concentrated form.

In this continuous and exasperated movement of capital towards the process of its self-valorization, the society forged in the golden age of capitalism progressively collapsed.

Therefore, this is an essential contradiction among the various contradictions of contemporary capitalism. At the same time that the middle class was created by capitalism, the same system competes to eliminate it. There is an increase in structural unemployment, marginality, and self-entrepreneurs, profoundly transforming the world of work and modern sociability. Capitalism, left to its own devices, tends to produce this. Hence, Keynes (1926) was quite emphatic about the need to manage this system.

The reflections of Keynes, the greatest economist of the 20th century, were fundamental for structuring a stable international order after two major world wars interspersed with a great

depression. This order contributed to the feasibility of capitalism's golden age. The disruption of this order meant the rupture of the social pact forged after the disaster of wars and the great depression. After this destructuring, capitalism has been able to promote the advancement of wealth, but in an increasingly concentrated way and subject to deep crises and instability. From the point of view of its supreme logic (the logic of capital), capitalism is not committed to issues such as the distribution of income and wealth, environmental sustainability, etc. Thus, it is necessary to think about capitalism as a system of social organization, increasingly questioned by different modern societies.

Overcoming capitalism's ‘love of money’ is a condition that is not only desirable but also necessary, given the significant concentration of income and wealth; the paradox of scarcity and abundance; the system's instabilities and crises, which are more frequent and intense; the destruction of the environment etc. In this sense, it can said that the two significant agendas of the 21st century are the environmental sustainability and the distribution of income and wealth. Economic theory must incorporate these two fundamental dimensions for humanity in the 21st century to provide prosperity, environmental sustainability, and dignity for current and future generations.

Hence, Keynes's reflections on laissez-faire and the economic possibilities for future generations remain actual even more than 90 years after its publication. His reflections allow us to extract lessons and carry out reviews capable of changing the direction of the 21st century.

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