

"The impression on the crisis in Milan"

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It is said that Keynesianism revived after the Lehman shock. It obviously holds true for economic policy within domestic economies. Almost all countries have adopted massive fiscal stimuli and ultra-loose monetary policies. These policies seem to have been more or less effective so far. However, the current sovereign debt crisis in the EU shows that Keynesianism has not perfectly revived yet; international Keynesianism is still dead. International Keynesianism is a sort of international policy coordination similar to that described in *The Means to Prosperity*. I am surprised that Keynesianism cannot be found in the international negotiations on debt problems among Germany, France, Italy, the ECB and the IMF. It is particularly surprising, because the first summit in which economic policies were internationally coordinated was held in Europe (Rambouillet, 1975).

Let us recall that at the Paris Peace Conference after the WWI, Keynes objected to the UK and France receiving heavy reparations from Germany. In a sense, the current situation in Italy (and of course Greece) is not very different from the situation in Germany at that time. Just as Germany found it difficult to obtain foreign currency, Italy cannot print as many Euros as she would to want. Even though the austerity plan put forward by Mario Monti would resolve the debt problems in the short run, I am afraid that Italy will need to be internationally negotiated about new plans, which correspond to the Dawes and Young Plan in the 1920s, at some future date. The

EU now attempts to create a fiscal union in order to impose common fiscal discipline on its member countries. This is probably desirable. However, even if the EU succeeds in doing so, there are still several areas in which international policy coordination is required, for example, how to deal with the wage differentials within EU countries, and, related to that, how to structurally reduce Germany's current-account surplus.

Negotiations usually require only indebted countries to adopt austerity measures; nothing is required of the creditors. In order to reimburse their debts, therefore, the indebted countries cannot help but rely on the growth of external demand. However, it will be impossible for all these countries to expect the current-account surplus, unless creditors reduce the surplus. This is a truism of economics. I think that, in a broad sense, the current crisis is a sort of crisis of international public goods, like Kindleberger said. We should learn from the mishandling of international problems related to compensation and war bonds in the 1920s.

The crisis of international public goods is not restricted to the EU. In the Asia-Pacific region, two countries that have large international imbalances are the US and China. In order to redress their imbalance, the Chinese exchange rate will have to be revaluated. However, there are many areas in which Asia-Pacific countries need to coordinate their policies internationally, for example, how to boost Chinese and Japanese consumption, how to redress the savings glut in less developed countries, how to achieve stability of the international currency system and international financial markets, and how to transform the US economic structure that depends excessively on finance sectors. All these issues will have limitations with regard to implementation if they are resolved independently by individual countries. International Keynesianism should revive as well! The old useful knowledge of Keynesian economics should not be

lost.