

Economic Security in a World Context

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“Apart from winning the war, there is no task facing society today so important as the elimination of economic insecurity,” wrote the famed economist Abba Lerner in 1943, as ideas of how to grapple with both traditional and non-traditional security threats were being considered in the precarious conditions of World War 2. “If we fail in [economic security] after the war, the present threat to civilization will rise again,” Lerner warned [1]. In fact, Lerner was using these remarks as a preamble to posit the concept of “functional finance,” which has come into renewed vogue in the past year, as the coronavirus pandemic decimated societies and forced governments, particularly in the developed world, to infuse massive amounts of economic stimulus without concern for deficits and debts anymore.

Functional finance argued that all fiscal actions should be taken “with an eye to the *results* of these actions on the economy, and not to any established traditional doctrine about what is sound or unsound.” Functional finance’s more recent descendant, Modern Monetary Theory (MMT), has posited that powerful currency-sovereign governments (such as the US) should not worry about the financial constraint to fiscal policy, and should borrow as much as needed to invest in society, since they were ultimately borrowing from themselves in a currency that they themselves produced. This condition would hold so long as price stability and full employment hadn’t yet been attained. MMT has gained many adherents since the pandemic and seems to be the practical manifestation of powerful central banks around the world looking for economic security.

But Pakistan is not a currency-sovereign country, since it must issue debt in currencies other than its own (Eurobonds, for example). For countries such as Pakistan, the new wave of functional finance is a luxury unavailable to them. During the early phase of the pandemic, the country managed a creative and necessary stimulus effort worth PKR 600 billion (roughly \$4bn), which addressed the urgent requirements of daily wagers (33%), low-income households (25%), utility stores (8%), and small businesses (33%). This was followed up by additional spending measures to ease the economic burden of the poor. But at no time was Pakistan absolved of the pressure, particularly from the haunting spectre of the IMF, to keep its debt and deficit levels in check. In fact, the country has been pushed towards fiscal consolidation through measures that disproportionately affect the poor (e.g. electricity tariffs).

Pakistan could not resort to the functional finance logic to print as much money as required to return to full employment levels, and it is in fact estimated by the Pakistan Bureau of Statistics that, between April and June, 2020, nearly 20 million jobs had been lost, and an additional 13 million workers saw a loss of income. The stimulus effort that the government undertook, with economic security in mind, saw Pakistan through the first wave – but there may be still more waves to come in this pandemic. In the meantime, the vaccination hoarding by the developed world continues to deprive developing countries of the necessary access to immediate public health rescue efforts, even though this ultimately means that mutations will evolve in the third world and return to decimate those vaccine-hoarding countries later on.

What is observable from the exclusivity of functional finance in the developed world, as well as from the exclusivity of vaccine access for them alone thus far, is that we are contending with economic security in a time of inequality, fluidity, and of *empire*. There is one sort of fiscal policy for the imperium, and another for its satrapies. There is also one sort of vaccine strategy in the first world, and none for the third world. This

offers a lesson to undergird how economic security can only be possible under immense constraints in the developing world. Can economic security really be attained? Certainly, efforts can and should be made, but third world countries are meant to be kept economically insecure by design. That is the objective of the system as it stands. The high priests of the modern global capitalist system do not see the interconnectedness of human societies, whether in terms of a shared vulnerability to the virus, or in terms of attaining a measure of economic security (as assuring wider security) for the wretched of the earth. This is why the global system remains inherently unstable and vulnerable to disruptions, which may well take the form of more traditional security threats going forward.

Pakistan has made economic security a paramount consideration in its overall national security strategy. This was exemplified by the Islamabad Security Dialogue, where I moderated the session on economic security on behalf of the Centre for Aerospace and Security Studies (CASS). Yet Pakistan's efforts to attain economic security in such an unstable and dysfunctional global economic system, with functional finance for some and no finance for others, with extra vaccines to go around in the imperium and no vaccines at all in the satrapies – it is a tall order for any developing country. This is where Abba Lerner's wisdom from the early 20th century appears to be as relevant an observation today: although there is "no task facing society today so important as the elimination of economic insecurity," if the world system continues to reproduce exploitations and that too during a lethal pandemic, then global economic security (let alone that of specific nations) will not be attained. Then, as Lerner presciently warned, a graver "threat to civilization will rise again,"

[1] Lerner, Abba (1943). Functional Finance and the Federal Debt. *Readings in Fiscal Policy*. American Economic Association.

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