

Keynes Resurrected?
Saving Civilization, Again and Again

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In the wake of the financial meltdown of 2007-2008, a resurrected John Maynard Keynes became the subject of a popular and publishing explosion. Those affirming their faith were not limited to self-identified "Keynesians" like Paul Krugman and Joseph Stiglitz. Others, across a wide swath of the political spectrum, also propounded Keynes's forgotten wisdom—from the arch-conservative Richard Posner (2009), to the measured Martin Wolf (2008) of the *Financial Times*, to the inimitable Thomas Geoghegan (2011) of *The Nation*. Markets' glaring inability to "self-correct" put Keynes's central concepts, like uncertainty and effective demand, back into circulation; everywhere the state was forced, however reluctantly, to retake the managerial reins. Keynes was indeed again among the living—or, as the libertarian screed *The Freeman* (2009) put it, "HE'S BAAAAACK!", like some horror-show zombie.¹

In truth, however, he never left us. Every time capitalism is beset by crisis, many of its most engaged critics clamour for Keynes. When Roberto Unger (2011: pt. 1) bemoans the fact that "Keynesianism is the default economic creed of progressives around the world today", he raises a crucial point. Why does Keynesian reason have such a hold on progressive thought, and why, at moments of crisis like the present, does a "progressive" knee-jerk Keynesianism always seem to reappear? What makes Keynesianism make so much sense to the Left in times of crisis; what facets of the varieties of Keynesianism reproduce a wisdom that seems so consistently appealing? And on what historical premises could it possibly deliver on its promises? In the paragraphs that follow, I try to

answer these questions, tracking the fundamentals of Keynesianism not only in the explicit endorsements of Keynes in the years immediately following the fall of Lehman Brothers (September 2008), but also across a longer trajectory of thought, from Hegel, to Keynes himself, to analyses of our current "Great Recession", exemplified by Thomas Piketty's phenomenally influential *Capital au XXI^e siècle* (2013; translated in 2014 as *Capital in the Twenty-First Century*). I take up this argument via a discussion of the core of the Keynesian theory of modern market-based civil society, its relation to Keynes' and Keynesian economics, and the intimate ties between these ideas and the broad range of contemporary "progressive" thought.

Keynes and Keynesianism

Answering the "Why Keynesianism?" questions would be easier, certainly, if there were some consensus concerning what, precisely, Keynesianism is. Even among self-identified Keynesians the only point of agreement is that "Keynesian economics" is not necessarily equivalent to "the economics of Keynes" (Leijonhufvud 1968). Among economists, this underwrites two general responses. The first (e.g. Tily 2010) is to examine the ways in which what gets passed off as Keynesianism is, or is not, distinct from Keynes's thought, especially as presented in *The General Theory of Employment, Interest and Money* of 1936. The second response, shared somewhat surprisingly by popular economic literature and most orthodox economists, is to ignore the problem entirely, taking any meaningful "academic" distinction between "Keynesian economics" and "the economics of Keynes" as irrelevant to practice. As Krugman (2012a), who epitomizes this "New Keynesian"

position, puts it: "My basic reaction to discussions about What Keynes Really Meant—is, I Don't Care". Keynesianism is as "Keynesianism" does.

At an interpretive level, those who take the approach of attempting to align Keynesianism with Keynes's own ideas—generally known as "post-Keynesians"—win any match decided by historical or theoretical accuracy. Krugman may not care, but that is partly because he knows that his "Keynesian economics" is quite far from "the economics of Keynes". However, characteristic glibness aside, Krugman's attitude is certainly defensible where readability or terminological norms make the historical mismatch unimportant. If a whole community of economists calls itself "New Keynesian", what is there to be achieved by "outing" its members as not "really" Keynesians? One would hope an argument's merit is not determined by its relative fidelity to the Word.

Their differences aside, however, these responses share a categorical approach to the problem. The task becomes one of determining what ideas count as properly "Keynesian". The first identifies what Keynes meant to say, and includes or excludes later ideas based on their compatibility with the original. The second accepts the definitional or methodological norms of its context and moves on, equating Keynesianism with the "welfare-state", for example, or labeling a model "Keynesian" if it includes "sticky" prices. That a close reading of Keynes cannot justify either of these qualifications is not the point.

The problem with this shared approach to Keynesianism is that both its variations emphasize the categorization of propositions and theories without any attention to the work they were and are designed to do, or the conditions in which they emerge. The ideas to be included or excluded thus float free of the purposes they serve. Economists argue, for example, over whether or not Keynes's theory of liquidity-preference is functionally equivalent to the theory of loanable funds, but ignore what it is about these theories that defines them as "Keynesian", beyond either discursive convention or a simple association with Keynes himself. If Keynesianism has a content determined by more than these empty formalisms, what is it? What is it about Keynes's thought that makes it Keynesian?

There is of course no lack of literature that convincingly explains the forces that conditioned Keynes and his work. But those efforts are inadequate to the current conjuncture, because the historical specificities that explain what produced Keynes's ideas do not necessarily explain what keeps renewing them. The reasons why Keynes became a Keynesian cannot be identical to the reasons ideas that go by his name return to prominence again and again, even in the minds of those who have no familiarity with his thought or the times in which it was formulated. Only if we can determine what Keynesianism is for can we understand what needs it seems to meet. Only then can we make some sense of the persistent resurrection of "progressive" or Left Keynesianism.

From this perspective, Keynes is not usefully understood as an "origin", but, instead, as a moment—if an extraordinarily influential one—in a longer historical-political movement. His great contribution—it was the *General Theory's* express purpose—was to develop a

pragmatic theory of liberal capitalism, one which overcame the historical state-civil society opposition as it operated in "the economic society in which we actually live" (Keynes 1971, 7:3). Keynes presented it, immodestly, as the only coherent and useful (i.e. "general") theory of capitalist modernity: coherent because it pertained to all "modern communities", and useful because it identified the "actual" mechanisms that made them tick. It was intended to serve as the Weberian tool *par excellence*: "value-free" knowledge that would give the experts who wielded it the power to manage a modern capitalist society.

In this light, the *General Theory* clearly proves the Marxian axiom that Keynes was no radical (Foster and McChesney 2011; DiLeo 2009; Magdoff and Sweezy 1983). In Eric Hobsbawm's words (1990: 20), Keynes "made no bones about the fact that his aim was to save liberal capitalism". Yet to leave it at that is misleading, since it elides perhaps the most important point: The crucial question is not merely *what* Keynes was trying to save, but also *why* he came to save it, and what he came to save it from. Indeed, saving "liberal capitalism" cannot describe something distinctive about his efforts, since virtually every economist in Europe and North American was on the same rescue mission.

In fact, the term "capitalism" names what was for Keynes a second-order problem. For him (1971, 10:446-7) the real stakes were of an entirely different order of magnitude: "Civilization", he said in 1938, is "a thin and precarious crust, erected by the personality and will of a very few, and only maintained by rules and conventions skillfully put across

and guilefully preserved". This is probably the single most important premise of all things Keynesian.

Today, far more than renewed interest in Keynes the economist or statesman, it is the precariousness of "civilization" that makes the question and status of Keynesianism urgent. The overlapping ecological and political economic crises in which we are mired present challenges to all (albeit unequally distributed), but they also produce a particular existential anxiety for the Left in the capitalist global North. Despite enormously important movements like Occupy, and the hope they have instilled in some, it is hard to deny that the general trend at present is disheartening. While radical rethinking appears to have more purchase than at any time since the 1960s (Mason 2012), the "progressive" tenor of today's mass politics—especially in the electoral-legislative arena—is, at least as yet, no match for those years. Moreover, pressing forward the undeniably "rational" rescaling of the regulatory response to new planetary challenges—the United Nations Framework Convention on Climate Change, for example, or the apparatus necessary to implement a Tobin tax or realize Thomas Piketty's (2013) influential argument for a tax on global capital—seems certain to further concentrate power and resources in the hands of elites, a condition more than likely to render progressives even more beholden to the political status quo.

Keynesian Civil Society

The fulcrum of the Keynesian critique is what Hegel called civil society. Indeed, Keynes's theory of liberal civil society is essentially Hegelian: it is a sphere of self-

interested particularity, riven with contradictions eventually bound, without adequate administrative or ideological attention, to render it inoperable. In its very movement it produces the potential seeds of its own destruction. These contradictions arise largely because of civil society's structural incapacity to overcome the conflicts, both logical and material, between individual and common interest. The result, in both Keynes's and Hegel's accounts (and indeed in all Keynesian analyses) is the "corruption of civil society", that notorious "poverty in the midst of plenty" that gives birth to "the rabble" (Hegel 1991: 266-7, 453-4; Keynes 1971, 7:30-1).²

The conflict between the liberty of the one and the interests of the many is a signature problem of modernity. There is nothing distinctively Keynesian about it (or, for that matter, Hegelian or Hobbesian or Rousseauian). There are, however, two features that distinguish the Keynesian-Hegelian response from other means of confronting it. The first is its modern commitment to individual liberty—in contrast, say, to an account based in a Rousseauian "general will"—in combination with a radical distrust of the formalisms or abstract universalisms that subtend the priority of either the general or the particular. This is a critique of liberalism that rejects both rigid individualism à la Locke and essentialist collectivism à la Bodin.

It tends, thus, toward what might be called a "third way", if that phrase were not so saturated with the politics of Anthony Giddens and Tony Blair. Their "third way" is really a soft neoliberalism, closer to a "middle way", a compromise aligned quite far to one side. Despite occasional attempts on the part of both its detractors and supporters to

liken the Blairite "third way" to Keynesianism, Keynes's and Hegel's is a third way in different sense, the "third" in a dialectical triad: a simultaneous cancellation and preservation of the two previous moments in a new if not-necessarily-stable unity. In other words, the explicit goal is to expose the supposed antinomy between individual liberty and collective solidarity as merely an historical stage. The point is definitively *not* to create some "hybrid" or "mixed economy" (Mattick 1969) with a little bit of individualism and a little bit of collectivism. It is, rather, to propose something novel, to describe a means by which freedom, solidarity and security can be fully realized at once in a rational social order. The point is to overcome the modern condition, "that reality and human reason have parted company" (Arendt 1958: 300)—to escape the "confusion" (Hegel 1999: 150), the "colossal muddle" (Keynes 1971, 9:139) to which history has unfortunately led.

The second distinguishing feature of Keynesian reason is that it is concerned to demonstrate the ways in which existing institutions, ideas, and social relations can produce, without rupture, a radically transformed social order. While conservatives argue that we can attain the "best of all possible worlds" by zealously protecting the *status quo*, liberals that we can get there via principled commitment to a set of abstract ideals, and radicals that we can only get there via a root-and-branch reconstruction of social life, Keynesians tell us that a radically different world is peacefully contained *in potentia* in the existing order. When an outraged Robespierre (1958: 89), asked the bourgeois Convention of 1792, "Citizens! Would you want a revolution without revolution?", Keynesians were those who thought to themselves, "Yes, actually. That is exactly what

we want".³ They have come to trust less that this new world will eventually come about of its own accord than did Hegel in the post-revolutionary moment, but they are convinced that no revolution is unnecessary—a symptom of confusion, not progress. All that is needed is a problem-solver's intuition, wise expert administration, and social stability to which these lead. If we do things right, we can use what we have to gradually, pragmatically, build a world that is radically different but still contains all that is good in the world we have.

Both Hegel and Keynes (at least by the time of the *General Theory*) recognize there can be no magic formula to achieve this (Backhouse and Bateman 2011: 111-2). The critique thus concentrates the analysis upon the historically and geographically particular state-civil society nexus in question. The resulting set of propositions, some but not all of which can be found in non-Keynesian approaches, linked together in a coherent whole, define the terms of analysis, not the empirical context. The propositional framework runs as follows.

First, the identification of civil society's inescapable limits—particularly its inability to self-regulate—triggers Keynesian reason's most fundamental driver: a fear of disorder, or the breakdown of what we might now call the "social contract", and the descent into a "state of nature" for either the whole "community" or some part thereof. Keynesians are as terrified as Hegel of the rule of "absolute necessity". Neither civilization nor capitalism is natural; if left to self-regulate, things will *not* take care of themselves. Keynes (1971: 4,65) famously wrote that "in the long run we are all dead. Economists set themselves too

easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is long past the ocean is flat again", but he was only echoing Hegel, who told his students that "no one should trust a principle according to which 'things will adjust, they will take care of themselves'" (Hegel 1973: 699, cited in Losurdo 2004: 81).

This anxiety is Hobbesian in the conventional sense, and, although Keynes reflected on it far less, and far less critically, than Hegel, it is derived about as "directly" from that conventional reading of Hobbes as political theory can be. Basically, Keynesian reason holds that it is only possible to be a liberal when the Hobbesian problem has been solved—and not only is it unlikely to be solved once and for all, but it is certain that the solution cannot be "purely" liberal. Only in a polity in which these foundations are laid and maintained can someone like Locke or Jefferson make any sense at all.

This analysis of civil society, and the anxiety it produces, underwrites a categorical distrust of democracy, because faith in democracy is premised on the proposition that civil society, if given concrete political form beyond its subordination to the state, can conceive the answers to its own problems. "Democracy is content and form", said Marx (1973: 29) in his critique of Hegel's theory of civil society. According to the Keynesian critique, however, the "facts of experience" (Keynes 1971, 7: 3, 96, 250) prove the futility of Marx's faith. The failures of civil society are part of its very logic; visions of "true" democracy are quixotic illusions. Indeed, Keynesian reason demands a fundamental skepticism regarding all popular (and populist) modes of politics, since the claims on which these are grounded are by definition a product of civil society's internal dynamics,

and thus always unwittingly contain in themselves the very obstacles they attempt to overcome.

The most important conclusion to which this theory of civil society leads, however, is that any attempt to contain democratic sentiment, or to limit the populist urge, is itself historically constrained. Merely to quell civil society's dynamic responses to its own internal limits is not to address those limits, but only to stall, to play at distraction.

Ultimately, without changes both inside and outside the sphere of civil society, these limits will be met, whether we like it or not. In other words, modern civil society is an historical force, which produces dynamics in which radical transformation is, in the long-run, absolutely unavoidable.

Taking this as a basic, fundamental fact of modern life, to the Keynesian the task ahead is obvious: the inevitable transformation must be accomplished without disorder—without revolution, or, at the very least without revolutionaries. Since a modern liberal commitment to individual liberty necessarily rejects the more straightforward means to this end—fascism, for example—the revolution without revolution poses a remarkably complex problem. In contrast to the rather dramatic means of social overhaul on the anti-liberal menu, Keynesian reason demands—in the interest of ongoing social stability—a more gradual collection of institutional, political economic, and ultimately sociocultural tweaks, or "fine-tuning", as it were. This process presents itself as a technical problem: if change is coming, and one cannot entrust its management to democratic means, then the changes must involve the complex coordination of many social institutions, and expertise

is the answer. Depending upon the context in which the problems arise, the timeline is judged to demand something between careful consideration and panicked emergency management—but in all cases, Keynesian reason points to the centrality of centrality: to the political function of the state as the sole, if flawed, legitimate universal institution, and to the rational, scientific bureaucracy at the core of modern state function. As Krugman (2012b: 12), channeling the spirit of Keynes, recently put it:

The depression we're in is essentially gratuitous: we don't need to be suffering so much pain and destroying so many lives. We could end it both more easily and more quickly than anyone imagines—anyone, that is, except those who have actually studied the economics of depressed economies and the historical evidence on how policies work in such economies.⁴

Ultimately, the role of the state enlightened by Keynesian reason is that of the great "reconciler" of individual and collective interests. Again, however, it bears emphasis that this is not a question of "mixed economy" compromise. While the fear of disorder that founds Keynesianism takes Hobbesian form, the role of the state it anticipates is radically different than that Hobbes proposes, because Keynesian reason posits a means through which to pass through Leviathan, to the attain the "real freedom" to be realized at the end of history. The means to this end take particular form: neither by forever managing private difference—the impossible task assigned to liberalism by Hobbes, Locke and Kant—nor by subordinating the individual to the general à la Rousseau or Lenin. Instead, the state is posited as that social institution, both part of and apart from society, which can harmonize the particular and the universal, materially and ideologically, without

sacrificing either. The citizen bathed in the light of Keynesian reason understands his or her own interests as commensurate with, but in no way necessarily the same as, or subordinate to, what Keynes called the "social interest".

The appeal of this analysis, seemingly founded simultaneously in science, pragmatic "realism" and quasi-utopian hope in human governance reaches far beyond the community of self-described Keynesians. Figuring out the reasons for, and the implications of, this appeal—especially but not only for "progressives"—is crucial. Especially important is that complicated stance Keynesianism takes toward politics and the political. Keynesianism, like its parent liberalism, is obsessed with the accurate segmentation of social life, in the interests of containing problems to their "proper" sphere.⁵ This is the logic behind its unshakeable faith in techno-bureaucratic expertise, clear jurisdictional definition policy independence. It also explains the largely *ad hoc* redefinition of the content of the political as a category of social life, which various Keynesianisms adapt across time and space so as to clarify as precisely as possible what it must *not* include.

It is not, as is commonly said of bureaucratization or so-called managerial capitalism, that politics thereby apolitical technocracy stripped of debate and public life. On the contrary, despite being the very source of the difficulties, Keynesianism understands civil society as in many ways an idealized arena for the liberty of modern citizenship, the "bourgeois public sphere" of Arendt and Habermas. The problems at the heart of civil society are not due to principled debate over the questions appropriate the classical *agora* (e.g. the

meaning of the good, the right, the ideal). Such "properly" political discussions are welcome. Instead, the problems are due to the fact that the modern political sphere cannot be isolated from concerns that are not "properly" political: the "economic problem" (Keynes 1971, 9:364-5), the "social question" (Arendt 2006: 49-52), or, more prosaically, "the pressure of the street" (Habermas 1989: 132). In what Keynes called a "modern community", politics is distorted by the inescapable fact of *poverty*.

The problem according to Keynesians, therefore, is not that public life has been evacuated of politics, but rather that politics has been displaced or corrupted by "the economy" as the sphere of public life, and civil society is structurally incapable of handling it. Putting the "economic problem" back where it belongs—taking poverty out of politics—and keeping it there, is the most important task of the non-revolutionary revolution. But it is not impossible to achieve. "The important question of how poverty can be remedied is one which agitates and torments modern societies especially" (Hegel 1991: §244A), but the "problem of want and poverty and the economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and *unnecessary* muddle" (Keynes 1971, 9:vii).⁶ As we will see, this attachment to the proper categorical division of social life is hardly less important in Left thinking.

The urgency of overcoming this "confusion" is the foundation of all Keynes's work, from the critique of Versailles to his death. The following, from 1924, is representative:

No man of spirit will consent to remain poor if he believes his betters to have gained their goods by lucky gambling. To convert the business man into the

profiteer is to strike a blow at capitalism, because it destroys the psychological equilibrium which permits the perpetuance of unequal rewards. The economic doctrine of normal profits, vaguely apprehended by every one, is a necessary condition for the justification of capitalism. The business man is only tolerable so long as his gains can be held to bear some relation to what, roughly and in some sense, his activities have contributed to society (Keynes 1971, 4:29).

The same fear drives the *General Theory*: "It is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated—and, in my opinion, inevitably associated—with present-day capitalistic individualism" (Keynes 1971, 7:381).

Throughout his life, Keynes's goal was to understand how and why capitalism tends to turn into a casino, and to maintain the "psychological equilibrium" upon which the social order depends against this tendency. With the *General Theory*, he believed he had proposed "the only practicable means of avoiding the destruction of existing economic forms in their entirety and as the condition of the successful functioning of individual initiative" (Keynes 1971, 7:380). This explains his belief that the book was "revolutionary". Whether it is in fact revolutionary or not, it is a much more compelling and subtle analysis than one might think after reading the usually ham-fisted critiques of orthodox macroeconomics in the *Journal of Political Economy*. Indeed, it is impossible to believe that most mainstream critics of Keynes have ever actually read *The General Theory*, in which the point is not merely to bemoan the fact that we often spend too little

to keep the capitalist engine running, but to explain what happens as a result of "endogenous" markets dynamics, and what to do about it.

The answer is worked out in an overlapping, iterative fashion throughout the *General Theory*, but takes its most compelling form in chapter 16, "Sundry Observations on the Nature of Capital". In the journey toward the complete *General Theory*, chapter 16 is an underappreciated key to unlocking Keynes's logic. It consolidates the argument, but more importantly it asserts a series of bold claims concerning economic theory, some of which provide analytical foundations for the less well-substantiated but disproportionately influential ideas central to the last part of the book (particularly chapter 24, "Concluding Notes on the Social Philosophy towards which the General Theory might lead").

Keynes begins the chapter with a restatement, in very strong language, of his critique of the classical assertion that saving is as good for effective demand as consumption, which he dismisses as "absurd, though almost universal". On the contrary, he says, "since the expectation of consumption is the only *raison d'être* of employment, there should be nothing paradoxical in the conclusion that a diminishing propensity to consume has *cet. par.* a depressing effect on employment". The classical "fallacy" is actually, for Keynes, the product of a much deeper, and equally universal, assumption, one undoubtedly (although he would never have used the term) based in ideology: that what a wealth-owner seeks to obtain with his or her wealth is a "capital-asset *as such*". Keynes says the "facts of experience" demonstrate plainly that this is not true. The objective is not to enjoy the asset's productivity, but its expected yield. Investment is for profit, and if

expected profits from a given class of capital-assets are inadequate, investment dries up. Nor is it true—as market-clearing orthodoxy implies—that there will always be demand for "productive", i.e. employment-producing, capital-assets if prices are flexible, since some return is better than none. "[T]here is always an alternative to the ownership of real capital-assets, namely the ownership of money and debts" (Keynes 1971, 7:211-2). If the expected return to debt-ownership (or to savings or "hoarding"), i.e. the rate of interest, is higher than what Keynes called the "marginal efficiency of capital" (the yield one might reasonably expect from "productive" investment), then it is obvious they will prefer to own money and debt.

Indeed, to make matters worse, the marginal efficiency of a capital-asset has little if anything to do with its productivity. The marginal efficiency of capital—the rate of return that has to compete with the rate of interest—is only a very indirect function of anticipated or realized levels of productivity. Expected *yield*, not productivity, is what shapes the decisions of potential investors: "It is much preferable to speak of capital as having a yield over the course of its life in excess of its original cost, than as being *productive*" (Keynes 1971, 7:213). Investment in capital-assets is aimed at the extraction of yield, and yield is determined by scarcity, not productivity. At any given level of productivity, if a capital-asset is scarce, and its services in demand, it will attract investment. But the less scarce it becomes, the less yield an investor can expect to extract from it, regardless of its productivity. Abundant capital implies low yields, but it tells us nothing about productivity: if it were otherwise, the term "overcapacity" would make no sense.

Only effective demand—which is not, as is commonly thought, "actual" consumer demand, but rather the expected demand for goods at a future date—will improve the marginal efficiency of capital and generate investment.

This leads Keynes (1971, 7:213-4) to an oft-misunderstood claim: "I sympathise, therefore, with the pre-classical doctrine that everything is *produced by labour* It is preferable to regard labour . . . as the sole factor of production, operating in a given environment of technique, natural resources, capital equipment and effective demand". Many engaged critics (and not simply ignorant reactionaries who think Keynes was a "communist") understand this as an affirmation of something like Marx's so-called "labour theory of value", at least as it is usually understood, i.e. labour is the source of all that is valuable in the world.⁷ This is incorrect. Keynes did not believe this (and neither did Marx (Postone 1993; Mann 2010)). For Keynes—aligning his theory explicitly with "pre-classical" thought—this is *not* a labour theory of value, but instead what we might call a labour theory of commodities.⁸ Since it is not "productivity" but scarcity that determines asset-prices and thus expected yield, value as he understands it is a function of scarcity. His point is merely that at any given moment, it is analytically useful in the short run to treat every *thing* as product of labour alone. The relation of that labour to *value* is an entirely different question, one with which Keynes was no more concerned than most of his orthodox colleagues.

These concerns are not marginal or "technical" aspects of the *General Theory*, and they are essential to any understanding Keynesianism in general, because they provide the logical rationale for a crucial claim: because scarcity is the foundation of yield, to ensure that investment in many asset classes is profitable, we *must* keep them scarce. Scarcity is socially produced at the heart of capitalist civil society. Although we do of course create "artificial" scarcities via blunt means like quotas or price supports, the more important means by which scarcity is produced in capitalism are systemic. Capitalist markets require that production be organized to produce a profit in light of a given level of effective demand. But there is no reason at all to expect production so organized will demand the full employment of available resources, either at any particular time and place, let alone across time and space. Nor is there any reason to believe—as implied by classical theory—that if current levels of demand is insufficient, markets can or will generate full employment by producing for future demands via a "temporal displacement". In other words, in "the economic society in which we actually live", real markets might well reach equilibria, but they are and always will be almost certainly suboptimal. Resources will go unused, willing workers left unemployed.

For Keynes, the most important scarcity of all is that of capital itself. Without it, profit and consequently investment in capitalism are virtually unimaginable. Capital "has to be kept scarce enough in the long-period to have marginal efficiency which is at least equal to the rate of interest for a period equal to the life of the capital, as determined by psychological and institutional conditions". Which is to say that if negative interest rates are impossible (so it is never entirely futile to save or buy debt), and capital became

sufficiently abundant that expected marginal returns to capital investment were zero (and would in fact be reduced by additional investment), then the only way employers could maintain the existing level of employment (which requires both employment in investment goods-production, and, by Say's Law, positive investment equal to savings, remember) would be by accepting a negative rate of return. In that event, the only "fix" is wholesale crisis: "the stock of capital and the level of employment will have to shrink until the community becomes so impoverished . . . and the standard of life sufficiently miserable to bring savings to zero" (Keynes 1971, 7:217-8).

Keynes goes on to suggest that the situation is in fact even more precarious, because it is unlikely that interest rates are flexible enough to fall to zero, as if the only rule is that they must be positive. Instead, given the "institutional and psychological factors" prevailing in modern capitalist markets, long-term interest rates almost always exceed zero by more than a trivial amount. If so—and we might note that even in 2014, after five years of short-term rates near zero, long-term rates have not fallen nearly so far—then the problem for economic policymakers is even tougher. If, in tough times, an effective "floor" keeps the rate of interest at a level with which the marginal efficiency of capital cannot compete—tough times in capitalism being basically defined by low profitability—then any hopes of full employment are even less realizable.

Consequently, even if a given society enjoys a level of technical and institutional development that could support rates of employment and human welfare much greater than it does at present, capitalist markets under a regime of *laissez-faire* militate against a

rate of interest low enough to enable capital to generate that improved level of investment and employment. Worse, still, the wealthier the community, the greater the impact of this negative "law of motion". Because a more limited capital stock means that at least in the short term a relatively poor community can more readily avoid this problem, it will be some time before capital accumulation reaches a point of saturation at which marginal efficiency is measly enough to discourage investment. When, however, the (once) poorer community reaches that point, it will just as surely suffer the "fate of Midas" that earlier befell its richer neighbours (Keynes 1971, 7:219).

In other words, at the heart of any capitalist civil society unmanaged by reason lies the absolute necessity of that poverty no "man of spirit" will accept for long. For capital's very success is self-defeating; if accumulation were to produce a society so wealthy, "so well equipped with capital that its marginal efficiency is zero", then any additional investment can only bring losses. Accumulation and employment demand a society "so impoverished" that "employment is low enough and the standard of life sufficiently miserable to bring savings to zero" (Keynes 1971, 7:217-8). As Thomas Piketty puts it (2013: 336), "too much capital kills capital".⁹

This is essentially Keynes's diagnosis of the US and Britain in the Depression, but that such conditions are in practice avoidable—*if* the propensity to consume and the rate of investment are "deliberately controlled in the social interest".¹⁰ With a long-term rate of interest consistent with full employment and if the state coordinated investment, "a properly run community equipped with modern technical resources, of which the

population is not increasing rapidly, ought to be able to bring down the marginal efficiency of capital in equilibrium approximately to zero within a single generation [T]his may be the most sensible way of gradually getting rid of many of the objectionable features of capitalism. For a little reflection will show what enormous social changes would result from a gradual disappearance of a rate of return on accumulated wealth". This is the famous "euthanasia of the rentier" (Keynes 1971, 7:219-21, 376).¹¹ This is the policy grail of Keynesians of all stripes, from Hegel to Piketty. For them, the muddle of dogmatic orthodoxy or irrational reaction is the only thing preventing the realization of a dialectical third path. A "best of all possible worlds", one that secures the best features of social and economic arrangements once thought incompatible, is certainly possible. Of course, it is not guaranteed, either. But there is no reason Reason cannot make it so.

Keynes is our Hegel

Keynes's political economy was shaped in much of its method and its particular concerns (saving, investment, interest rates) by its specificities, but it is the product of a set of historical and geographical conditions endemic to capitalist modernity in the global North—and in some cases beyond it. The analysis is neither the property nor the product of Keynes alone. Rather, Keynesianism so understood has had several lives since Keynes, just as it also had a life before him. Keynes the thinker is in effect one star in a Keynesian constellation whose shape is visible because of a specific set of relations in historical and theoretical space. Keynes is a key to understanding the *politics* of modern capitalism and liberal democracy, just as Marx found in Hegel a key to understanding their early consolidation. Keynes is our Hegel.

Indeed, on these grounds, Hegel was the first Keynesian. This is of course not exactly why he was so central to Marx's thinking, but it is not so far from it either. Hegel, struggling to make sense of the French Revolution, was the first to elaborate a Keynesian reason, the reluctantly radical but immanent critique of liberalism that ultimately found its fullest and (at least at present) most powerful historical realization in *The General Theory*. Which is not, as I said, to suggest that Keynes marks the end of the lineage—indeed, what matters most is that despite a thousand obituaries, from his own passing in 1946 to his notorious theoretical and policy deaths in the 1970s, Keynes has been with us since the day he died, and Keynesian reason at least since the early 19th century. The ongoing financial crisis has merely cast off the shadows in which they stood, and in so doing has illuminated, if not explained, the relentless anxiety of modern progressive politics.

In his powerful farewell, *The Tailor of Ulm*, the Italian communist Lucio Magri (2011: 54) remarks that the post-World War II Left's constant "gesture to Keynes" has no "clear-cut content": Keynes is "never read, never reflected upon". To do so is to discover that the same forces that have animated two centuries of the immanent "reform" of liberalism have also animated much—although certainly not all—of the nominally *radical* critique of liberalism. "We need to confront the true evolution of the situation, without despondency but also without pretence" (ibid.: 7). There are threads the Left must trace, leading twisted but basically unbroken from Hegel's response to the French Revolution to our twenty-first century "triple crisis", and, more importantly, to the politics of our

confrontation with that crisis. Moreover, these threads are not quite red: the ghost of Robespierre haunts the contemporary Left, but not in the manner in which some might hope. Instead, despite any "radical" disavowals, they tie us to a collection of modern anxieties he and his colleagues inspired, and which have never gone away.

This cul-de-sac is precisely where Keynesianism leads, and where it makes the most sense. For it is in itself a significant obstacle to a vital, mass-based progressive or Left movement—this is part of its *raison d'être*. The problem that is almost never mentioned, however, is that recognizing Keynesianism's limits, or even excoriating it for its "reformist" or "collaborationist" bases (as "radicals" are wont to do), does not thereby cut the ties that bind the Left to Keynesian reason. Keynesianism is not something that the Left can just shed at will. On the contrary, it has been at the core of progressive thought for more than two hundred years. It is, unintentionally but inescapably, a large part of what "progressive" or "Left" has come to mean, even for those loathe to admit it.

Keynesianism is fed by fear—fear of political failure in particular. It is a spring to which both liberalism and radicalism return when prospects for their projects seem weak. It is thus no surprise if we find ourselves gathered there at present. In the eyes of many, the long-term implications of both climate change and capitalism's current trajectory render a non-violent, "democratic", non-capitalist response difficult to imagine. Indeed, violence, where it is not already wide-spread, seems highly likely. This assessment is precisely what underwrites the widely-shared "progressive"—and resolutely Keynesian—assumption, for example, that something like a "climate Leviathan", a global carbon order,

is the only possible answer. Hence the massive "progressive" mobilization around the Copenhagen meetings of 2010 (Wainwright and Mann 2013). This reasoning—steeped in a skepticism regarding the capacity of popular democracy, however radical, to lead us out of the woods, and a fear of the seemingly inevitable violence that will follow—defines the condition of the modern Left, and ~~it~~ not merely due to the recent and broad-based recognition of looming environmental catastrophe. It is much older than that. It follows not from our novel ecological context, but instead from a logic at the core of at least two centuries of much liberal *and* "progressive" or "left" thought, and at the core of all things Keynesian: a distrust of the masses.

As Keynes's theory of civilization makes clear, because the bourgeoisie cannot imagine a non-bourgeois society, it cannot conceive of its own end as anything other than the end of the world. The spectre behind its fear, therefore, is neither the multitude in common, nor the 99% as the-truth-of-the-working-class, nor the-people-as-historically-"autonomous" striving to overthrow the existing order to free itself or take power (Negri 1988). Rather, the multitude or the 99% represents, for liberals, the potential destruction of the social order that is the only thing that keeps the chaos of "*l'apocalypse ricardienne*" at bay (Piketty 2013: 23).¹² Liberalism has little fear of the masses' historical mission. On the contrary, the core premise of liberalism is that the masses, by definition, have no mission. Only conservatives think the multitude are actually trying to achieve something "positive". For liberals, the multitude is either a contented populace or the rabble, the people or the anti-people that boils eternally beneath its surface (Mercier-Josa 1999: 89-

90; Ortega y Gasset 2010: 79-80). It cannot conspire, it can only react, and react irrationally at that.

What must be confronted is that this fear of power in the hands of the ignorant is ultimately far from specifically liberal. Despite its disavowal, it is at the very heart of the Left in the global North. As a friend of mine, very active on the radical Left, said to me recently, "give a moron a gun, and anything can happen". And, although I am perhaps unreflective for having gone so long without recognizing it, I have come to the troubling conclusion that despite a lifelong commitment to the more or less "radical" Left, there are many ways in which I share this sentiment. My friend is right; in a world that includes the Tea Party and Golden Dawn, I am all for gun control. That is why Keynes makes so much intuitive sense to me—and, I would suggest, to so many others on the Left—despite my own struggles for political clarity, and despite my recognition that he came with equal urgency to save capitalism *and* liberalism, both of which I oppose.

Keynesianism appeals even though we know its dangers. The figure and thought of Keynes stands as the most compelling modern response to the dark spirit many perceive at the heart of civil society. His eternal return to the centre of "progressive" political thought is proof of the depth and breadth of this distrust, a vast sea of anxiety in which swims a substantial part of the Left.

For example, in stark contrast to Marx's elation with the "global" financial collapse of 1857, the response of many prominent socialist and social democratic critics to the financial crisis has been a frantic effort to identify ways to stabilize the system so that

unrest does not destroy the whole kit and caboodle, thus ruining the lives of as many or more of the innocent poor as of the rich who nevertheless deserve it (Aglietta 2012; Blackburn 2008; 2011; Mazzetti 2012; Wade 2008; 2009). Their proposals are more or less unqualified attempts to save the institutions of capitalism while (in most cases, but certainly not all) dethroning capital. Whether or not that is possible—especially in the face of environmental catastrophe—is a key question, and the answer is not at all clear.

None of this is to point fingers. I aim this critique at myself as much as anyone. Aglietta, Mazzetti, and Wade each make a lot of sense. This is a widely shared and entirely justifiable condition; to call it paralysis is not to suggest that it originates in a weakness of political will, or that it necessarily could be otherwise. It is the reason that Marx, among others, remains a crucial resource in our current condition. For Marx makes one acutely aware of the need for action so radical it is quite frightening. To take him seriously as a person of the Left is to experience the knowledge that one's world—especially if one is among the more fortunate—does not match one's political or moral claims, and the only way to make it do so would be to embrace the kind of change that is likely to require throwing it all away. That is a very unsettling experience, one many prefer to avoid. Many of us are not unreasonably tempted to turn instead to something that allows us to contemplate the chasm between "is" and "ought" without the same fear and trembling, something akin to "a revolution without revolution". The persistent power of this temptation is hard to underestimate.

At the same time, however, while our current condition reaffirms the ethics and politics of the Marxian wager, it also forces us to confront its limits. For the historical logic upon which Marx made his wager offered a guarantee. This is definitively not to suggest that he thought historical necessity equivalent to inevitability. History does not just happen, it has to be made. Still, to the extent that Marx urged the proletariat to make history, he did so by positing—via analysis, not prophecy—a light at the end of the tunnel. However long it might take, unrelenting struggle will eventually be rewarded. For reasons both material and ideological, this guarantee is not possible at present, and may never be again. Whatever radical wagers we choose to make in the face of capitalism, liberalism, and their occasional fascist or corporatist guises, there is a very real possibility that we make them in vain. There is no certain victory, even in the longest run or the latest instance—or if there is, it is presently unimaginable. No matter how long and hard the path, it may still end in disaster. This only makes Keynesianism make ever more sense.

Indeed, one might even say that the Keynesian return in the moment of liberal-capitalist crisis is axiomatic, since it is Keynesian reason that recognizes and defines the crisis as a condition that must be addressed. It might be precisely that variety of liberalism the Left cannot shake that makes us attempt to mitigate crisis at all. Are we not, in the end, really afraid we will *all* go down with the ship—that it will not merely bring down those who deserve it? Should a "real" radical not embrace the inevitably radical revolution financial crisis and environmental crisis and political crisis will bring? To be honest, I do not think that is the correct path; but that is not a necessarily "radical" conclusion. It is, rather, a

part of a broader politics whose valence is much more ambiguous, and whose nature I am struggling to understand.

More than in any other recent figure, it is in Keynes, the varieties of Keynesianism, and the much longer tradition upon which they are predicated, that we can discover the political origins and limits of these problems, and the potential, if any, to overcome them. Indeed, I believe that we cannot grasp a way out of our current, and eminently rational, road to ruin without understanding Keynesianism. Capitalism and liberalism are literally unimaginable without it.

Keynesian Neoliberalism?

Yet the larger concern is that if Keynesian reason partly animates even some of the most "radical" solutions on offer, then we must frankly examine its limits, "to confront the true evolution of the situation, without despondency, but also without pretence". Can it answer, or will it simply defer the ecological and political economic problems we must confront? It must not be forgotten that the outcome of the last era in which Keynes was taken seriously is what we now call neoliberalism—indeed, the particular form Keynesianism took after World War II not only made neoliberalism possible, but produced a very Keynesian neoliberalism (Audier 2012: 170-80). For Keynes was a crucial contributor not merely to the so-called Fordism-Keynesianism of the post-war era, but also to the present conjuncture.

This is no news to anti-capitalists, clearly; for many, Keynes is the high-priest of capital's apologetics. But it remains the case, nonetheless, that many on the Left turn to what is basically "Keynesian" politics given perceived extant constraints on political economic change, without recognizing that Keynes and Keynesianism are not something "other" than our present arrangements. They helped, and were arguably the most important factor, in the production of contemporary capitalism. If so, then the political diagnoses of those like David Harvey (2005) or Jamie Peck (2010), who describe the neoliberal turn as a very successful class offensive *against* the "Fordist-Keynesian" regime, are missing some of Keynesianism's crucial features, and in some ways reluctantly accepting the victorious class' version of the story. While they usually admit the accepted wisdom that Keynesian modes of economic management helped produce the present, insofar as it determined not only its own shortcomings, but also produced its own opposition in a vulgar "dialectic", these same critics tend not to recognize the extent to which Keynesianism's success was the very basis of the neoliberal turn. And this is not to remark upon a paradoxical or unintended success; rather, the Keynesian success to which I refer was always a, if not the, principal objective of a whole variety of Keynesianisms: the structural reconfiguration of the political-ideological relation between the state and civil society. Neoliberalism's hegemony in recent years did not overturn that achievement; on the contrary, neoliberalism is ideologically impossible without the political economic foundations the Keynesian integration of state and civil society produced.

Much of the "Keynesian" analysis at which neoliberalism sneers is not, in fact, a product of Keynes's political economy (and not, at least, Keynesian in that limited sense). Staples

of colloquial Keynesianism that have become essential to "progressive" policy analysis—from the assumption of wage rigidity, to the almost universal association with the "welfare state", to the argument against the effectiveness of monetary policy—are not to be found in the *General Theory* or anywhere else in Keynes's work. Indeed, the contemporary obsession with the work of money and the extraordinary power of authoritarian monetary policy are logical extensions of, not reactions to, Keynesian thinking. When the *General Theory* posited money as the key to the entire capitalist edifice—a devastating critique of the economics that came before (and after)—it gave neoliberalism an eminently useful theory of one of its principal tools of global transformation. The "credit crunch" only confirmed its utility as forcefully as it exposed the stupidity of "rational expectations" and the "efficient markets hypothesis", whose theoretical integrity is in tatters.¹³

Thus, unless one takes the increasingly dubious "end of neoliberalism" narrative as truth, the Keynesian trajectory is in no way *necessarily* a departure from, or antithetical to, our current arrangements. On the contrary, it involves a series of ideas about capitalist dynamics that are, from a political and policy perspective, polyvalent and polymorphic. To read capitalism since the late 1970s as straightforwardly anti-Keynesian is wrong; and to defend Keynes then, or to return to Keynes now, is not necessarily an anti-neoliberal move—though it must also be admitted that it is not necessarily a "neoliberal" move either. Certainly, the neo-mercantilism that capital and its allies are currently scrambling to construct out of existing national and international infrastructure (the International Monetary Fund defends capital controls, favoured firms receive bail-outs, regional trade

blocs re-emerge, and more) looks very Keynesian, but, at least at present, not all that different from pre-crisis neoliberalism (Keynes 1971, 7:333-50; Duménil and Lévy 2011: 329-30).

Keynesianism is a way of thinking and doing that demands highly constrained approaches to some of the most pressing questions of our time. It is ultimately, as Keynes himself insisted, a steadfastly conservative approach to capitalist modernity. The meaning of opposition, radicalism, the spectre of violence, the necessity of sacrifice—all of these stare us in the face, and it is the Keynesian in us that leads us to do the impossible: to simultaneously acknowledge and ignore them. However justifiable our current ideological and political paralysis, can we confront these problems and maintain a grip on the thread of Keynesian reason?

Every capitalist crisis is thus a moment of and for Keynesianism; capital necessarily solicits it, and part of what it means to be a "subject" of capitalism is to feel the need to answer the call. The accelerated rhythm of crisis intensifies both our anxiety and the difficulty involved in imagining a world that does not depend upon constant Keynesian remedy. In such conditions, Keynes only makes all the more sense. There is thus no straightforward way to understand his legacy or role, or that of Keynesianism more broadly, yet both are necessary and omnipresent figures in all modern thinking on capitalism. He is here, among us, all the time, and the problems with which he and all "Keynesians" struggle are also our own. It is only via a critical confrontation with "the true evolution of the situation, without despondency but also without pretence" that we

can escape anxiety-induced Keynesianism, and trace a path not mapped in and by dread.

The probability of failure need not detain us, for there is no time to dwell upon it.

Notes

¹ To name only a few instances: *Time* (2008) celebrated "The Comeback Keynes", and the *Wall Street Journal* (2009) anointed Keynes "The New Old Big Thing in Economics". The Keynesian boom featured on US National Public Radio's *This American Life* (Davidson and Blumberg 2009) and the British Broadcasting Corporation's Radio 4 (Mason 2011), and editorial pages around the world. In English alone, the meltdown has elicited a series of books with titles like *Keynes: The Return of the Master* (Skidelsky 2009), *The Keynes Solution* (Davidson 2009), *Maynard's Revenge* (Taylor 2011), and *The Fall and Rise of Keynesian Economics* (Eatwell and Milgate 2011). This is to say nothing of the stream of bestselling how-it-happened books, from Stiglitz's *Freefall* (2010) to Roubini and Mihm's *Crisis Economics* (2011), that lean more or less heavily on Keynesian accounts of what went wrong. The renewed interest in Keynes that came with the onset of the crisis was only slightly less notable in non-English publishing (see, for example, Dostaler 2009; Kicillof 2012; Mazzetti 2012; Rojo 2012; Romani 2009; Storbeck 2009; Willke 2012). Kicillof—a self-described Keynesian commonly accused of "Marxism" (Burgo 2012)—is presently Argentina's Minister of Finance, now tasked with handling the (latest) currency crisis that began (again) in June 2014. He has turned to a suite of standard Keynesian tools like capital controls, but their effectiveness appears constrained by changing global regulatory and technological contexts.

² This term ("rabble") has become the standard translation of the Jacobins' *canaille* and Hegel's *Pöbel*. Throughout, translations from non-English sources are mine.

³ "*Citoyens, voulez-vous une révolution sans révolution?*"

⁴ As Keynes remarked in 1930: "We are suffering just now from a bad attack of economic pessimism", based on "a wildly mistaken interpretation of what is happening to us". "The economic problem is not too difficult to solve. If you leave it to me, I will look after it" (1971, 9:364, 28:34).

⁵ This position is epitomized by the influential *Spheres of Justice* (Walzer 1983), a book only a liberal could write.

⁶ All emphases in original, unless otherwise noted.

⁷ See, for example, Kunkel (2014: 18) and Blaug (1996: 228).

⁸ And since Keynes (1971, 7:3 n.1) includes Marx in the classical tradition, pre-classical is by definition also pre-Marxian.

⁹ "[T]rop de capital tue le capital."

¹⁰ Recent studies would support the theory behind this diagnosis, while placing the key Midas moment somewhat earlier, at the eve of World War I. Indeed, while Piketty does not make the link himself, the fundamental precondition of capital's ferocious "return" in the post-World War II era is a half-century of impoverishment and "sufficient" misery: "To a great degree, capital disappeared in the middle of the 20th century; at the beginning of the 21st, it seems to have re-attained levels observed in the 18th and 19th centuries. Accumulated wealth has come back to its true colours. In large measure, it is the wars of the 20th century that wiped the slate clean of the past, and gave the illusion of a structural shift in capitalism" (2013: 190, cf. 259-69).

¹¹ It is also, in Piketty's (2013) terms, another way of reducing the advantage inevitably enjoyed by r over g .

¹² Piketty (2013: 22) says of Ricardo: "What most interested him was the following logical paradox: from the moment that the growth of population and production becomes stable and consistent, land tends to become more and more scarce relative to other goods. The law of supply and demand must lead to continual rise in the price of land and the rents accruing to landowners. Over time, those who only land will receive a larger and larger share of national income, and the rest of the population a smaller and smaller share, which will lead to the destruction of the social order [*l'équilibre social*]. For Ricardo, the only reasonable solution, both logically and politically, is an increasingly heavy tax on ground rents."

¹³ This did not stop the Royal Swedish Academy of Sciences from awarding Eugene Fama (the economist most closely associated with the efficient markets hypothesis) a Nobel prize in economics in 2013—an act that can only be described as quixotic.

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