

## CONFESSIONS OF AN ERRATIC MARXIST

### IN THE MIDST OF A REPUGNANT EUROPEAN CRISIS<sup>1</sup>

Yanis Varoufakis, December 10, 2013

#### ABSTRACT

Europe is experiencing a slump that differs substantially from a 'normal' capitalist recession, of the type that is overcome through a wage squeeze which helps restore profitability. This secular, long-term slide toward asymmetrical depression and monetary disintegration puts radicals in a terrible dilemma: Should we use this once-in-a-century capitalist crisis as an opportunity to campaign for the dismantling of the European Union, given the latter's enthusiastic acquiescence to the neoliberal policies and creed? Or should we accept that the Left is not ready for radical change and campaign instead for stabilising European capitalism? This paper argues that, however unappetising the latter proposition may sound in the ears of the radical thinker, it is the Left's historical duty, at this particular juncture, to stabilise capitalism; to save European capitalism from itself and from the inane handlers of the Eurozone's inevitable crisis. Drawing on personal experiences and his own intellectual journey, the author explains why Marx must remain central to our analysis of capitalism but also why we should remain 'erratic' in our Marxism. Furthermore, the paper explains why a Marxist analysis of both European capitalism and of the Left's current condition compels us to work towards a broad coalition, even with right-wingers, the purpose of which ought to be the resolution of the Eurozone crisis and the stabilisation of the European Union. In short, the paper suggests that radicals should, in the context of Europe's unfolding calamity, work toward minimising the human toil, reinforcing Europe's public institutions and, therefore, buying time and space in which to develop a genuinely humanist alternative.

#### 1. Introduction: A radical confession

Capitalism had its second global spasm in 2008, setting off a chain reaction that pushed Europe into a downward spiral that is currently threatening Europeans with a vortex of almost permanent depression, cynicism, disintegration and misanthropy.

For the past three years, I have been addressing exceptionally diverse audiences on Europe's predicament. Thousands of anti-austerity demonstrators in Athens' Syntagma Square, staff at the Federal Reserve Bank of New York, Green Parliamentarians in the European Parliament, Bloomberg analysts in London and New York, schoolchildren in deprived Greek and American suburbs, the House of Commons in London, Syriza activists in Thessaloniki, hedge funds in Manhattan and London's City, the list is as long as our European leaders' retreat from humanism and reason is persistent. Despite the audiences' diversity, the message has been consistent: Europe's present crisis is not merely a threat for workers, for the dispossessed, for the bankers, for particular groups, social classes or, indeed, nations. No, Europe's current posture poses a threat to civilisation as we know it.

If my prognosis is correct, and the European crisis is not just another cyclical slump soon to be overcome as the rate of profit picks up following the inevitable wage squeeze, the question that arises for radicals is this: Should we welcome this wholesale subsidence of European capitalism, as an opportunity to replace capitalism with a better system? Or should we be so worried about it as to embark upon a campaign for stabilising European capitalism? My answer has been unequivocal over the past three years and its nature is betrayed by the above-mentioned list of diverse audiences that I sought to influence. Europe's crisis is, as I see it, pregnant not with a progressive alternative but with radically regressive forces that have the capacity to cause a humanitarian bloodbath while extinguishing the hope for any progressive moves for generations to come.

For these views I have been accused, by well meaning radical voices, as 'defeatist'; as a latter-day Menshevik who tirelessly strives in favour of schemas the purpose of which is to save the current indefensible European socio-economic system. A system representing everything a radical should admonish and struggle against: an anti-democratic, irreversibly neoliberal, highly irrational, transnational European Union that has next to no capacity to evolve into a genuinely humanist community within which Europe's nations can breathe, live and develop. This criticism, I confess, hurts. And it hurts because it contains more than a kernel of truth.

Indeed, I share the view of this European Union as a fundamentally anti-democratic, irrational cartel that has put Europe's peoples on a path to misanthropy, conflict and permanent recession.

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<sup>1</sup> This paper is based on a keynote speech by the author delivered on 14<sup>th</sup> May 2013 at the 6<sup>th</sup> Subversive Festival in Zagreb, entitled "Confessions of an erratic Marxist". For a video of that presentation, click [here](#).

And I also bow to the criticism that I have been campaigning on an agenda founded on the assumption that the Left was, and remains, squarely defeated. So, yes, in this sense, I feel compelled to acknowledge that I wish my campaigning were of a different ilk; that I would much rather be promoting a radical agenda whose *raison d'être* is about replacing European capitalism with a different, more rational, system – rather than merely campaigning to stabilise a European capitalism at odds with my definition of the Good Society.

At this point, it is perhaps pertinent to issue a second-order confession: to confessing that... confessions tend to be self-serving. Indeed, confessions are always on the verge of what John von Neumann once said about Robert Oppenheimer, upon hearing that his former director at the Manhattan Project had turned anti-nuclear campaigner and had confessed to guilt over his contribution to the carnage in Hiroshima and in Nagasaki. Von Neumann's caustic words were:

"He is confessing to the sin in order to claim the glory."

Thankfully, I am no Oppenheimer and, therefore, it will not be too hard to avoid confessing to various sins as a means of self-promotion but, rather, as a window from which to peruse my view of a crisis-ridden, deeply irrational, repugnant European capitalism whose implosion, despite its many ills, should be avoided at all cost. It is a confession with which to convince radicals that we have a contradictory mission: to arrest European capitalism's free-fall *in order* to buy the time we need to formulate its alternative.

## 2. Why a Marxist?

When I chose my doctoral thesis, back in 1982, I chose a highly mathematical topic and a theme within which Marx's thought was irrelevant, by design. When, later on, I embarked on an academic career, as lecturer in mainstream economics departments, the implicit contract between myself and the departments that offered me lectureships was that I would be teaching the type of economic theory that left no room for Marx. In the late 1980s, unbeknownst to me, I was hired by the University of Sydney Economics Department so as to keep out a left-wing candidate. Then, after I returned to Greece in 2000, I threw my lot in with George Papandreou, hoping to help stem the return to power of a resurgent Right hell-bent on pushing Greece back into a xenophobic stance (both domestically, with a crackdown on migrant workers, and viz. foreign policy). As the whole world now knows, Mr Papandreou's party not only failed to stem xenophobia but, in the end, presided over the most virulent neoliberal macroeconomic policies that spearheaded the Eurozone so-called bailouts thus, unwittingly, causing the return of Nazis to the streets of Athens. Even though I had resigned as Mr Papandreou's adviser early in 2006, and turned into his government's staunchest critic during his mis-handling of the post-2009 Greek implosion, my interventions in the public debate on Greece and Europe (e.g. the *Modest Proposal for Resolving the Euro Crisis*, that I co-authored and have been campaigning in favour of) does not have a whiff of Marxism in it.

In view of this long path through academia and the policy debates on Europe, one may be puzzled to hear me come out of the proverbial closet as a Marxist. Such pronouncements do not come naturally to me. I wish I could avoid hetero-definitions (i.e. being defined by someone else's worldview and method). Marxist, Hegelian, Keynesian, Humean, I have a natural tendency to say that I am none of these things; that I have spent my days trying to become Francis Bacon's bee: a creature that samples the nectar of a million flowers and turns it, in its gut, into something new, something of one's own, something that owes much to every single bloom but is defined by no single flower. Alas, this would be untrue and no fit way to begin a... confession.

In truth, Karl Marx was responsible for framing my perspective of the world we live in, from my childhood to this day. It is *not* something that I volunteer to talk about in 'polite society' much these days because the very mention of the M-word switches audiences off. But I never deny it either. In fact, after a few years of addressing audiences with which I do not share an ideological milieu, a need has crept up on me recently to talk candidly about Marx's imprint on my thinking. To explain why, while an unapologetic Marxist, I think it is important to resist him passionately in a variety of ways. To be, in other words, erratic in one's Marxism.

If my whole academic career largely ignored Marx, and my current policy recommendations are impossible to describe as Marxist, why bring up my Marxism now? The answer is simple: Even my non-Marxist economics was guided by a mindset influenced heavily by Marx. A radical social theorist can challenge the economics mainstream in two different ways, I always thought. One way is by means of *immanent criticism*. To accept the mainstream's axioms and then expose its internal contradictions. To say: "I shall not contest your assumptions but here is why your own conclusions do not logically flow on from them." This was, indeed, Marx's method of undermining British political economics. He accepted every axiom by Adam Smith and David Ricardo in order to

demonstrate that, in the context of *their* assumptions, capitalism was a contradictory system. The second avenue that a radical theorist can pursue is, of course, the construction of alternative theories to those of the Establishment, hoping that they will be taken seriously (which is what later 20<sup>th</sup> Century Marxist economists have been doing).

My view on this dilemma has always been that the powers-that-be are never perturbed by theories that embark from assumptions different to their own. No established economist will even pay attention to a Marxist or neo-Ricardian model these days. The only thing that can destabilise and genuinely challenge mainstream, neoclassical economists is the demonstration of the internal inconsistency of their own models. It was for this reason that, from the very beginning, I chose to delve into the 'guts' of neoclassical theory and to spend next to no energy trying to develop alternative, Marxist, models of capitalism. My reasons, I submit, were quite... Marxist<sup>2</sup>.

When called upon to comment on the world we live in, as opposed to the dominant ideology regarding the workings of our world, I had no alternative but to fall back on the Marxist tradition which had shaped my thinking ever since my metallurgist father impressed upon me, when I was still a child, the effect of technological change and innovation on the historical process. How, for instance, the passage from the Bronze to the Iron Age sped History up; how the discovery of steel accelerated historical time by a factor of ten; and how silicon-based IT technologies are fast-tracking socio-economic and historical discontinuities.

This constant triumph of human reason over our technological means and nature, which also serves periodically to expose the backwardness of our social arrangements and relations, is an irreplaceable insight that I owe to Marx. His historical materialist perspective was reinforced in the most interesting and unexpected of ways. Anyone who has watched a Start Trek Voyager episode, entitled 'Blink of an eye', will recognise a wonderful forty-five minute depiction of historical materialism at work; a startling narrative on the process by which the development of the means of production begets technological advances that constantly undermine superstition and creates historical spurts which, non-linearly, give rise to new stages of civilisation.

My first encounter with Marx's texts came very early in life, as a result of the strange times I grew up in, with Greece exiting the nightmare of the neo-fascist dictatorship of 1967-74. What caught my eye was Marx's unsurpassable, mesmerising gift for writing a dramatic script for human history, indeed for human damnation, laced with a very real possibility of salvation and authentic spirituality. While reading lines such as...

"[m]odern bourgeois society with its relations of production, of exchange and property, a society that has conjured up such gigantic means of production and of exchange, is like the sorcerer, who is no longer able to control the powers of the nether world whom he has called up by his spells." (*The Manifesto of the Communist Party*, 1848)

...it was like encountering a coming together of, on the one hand, Dr Faust and Dr Frankenstein, and, on the other, of Adam Smith and David Ricardo, creating a narrative populated by figures (workers, capitalists, officials, scientists) who were History's *dramatic personae*, agents that struggled to harness reason and science in the context of empowering humanity while, contrary to their intentions, unleashing demonic forces that usurped and subverted their own freedom and humanity.

This dialectical perspective, where everything is pregnant with its opposite, and the eager eye with which Marx discerned the potential for change in the seemingly most constant and unchanging of social structures, helped me grasp the great contradictions of the capitalist era. It dissolved the paradox of an age that generated the most remarkable wealth and, in the same breath, the most conspicuous poverty. Today, turning to the European crisis, the crisis of realisation in the United States, the long-term stagnation of Japanese capitalism, most commentators fail to appreciate the dialectical process under their nose. They recognise the mountain of debts and banking losses but neglect the opposite side of the same coin, its antithesis: the mountain of idle savings that are 'frozen' by fear and thus fail to convert into productive investments. A Marxist alertness to binary oppositions might have opened their eyes...

A major reason why established opinion fails to come to terms with contemporary reality is that it never understood the dialectically tense 'joint production' of debts and surpluses, of growth and unemployment, of wealth and poverty, of spirituality and depravity, indeed of good and evil, of new vistas of pleasure and new forms of slavery, of liberty and enslavement; of this melange of binary oppositions that Marx's dramatic script alerted us to as the sources of History's cunning.

From my first steps of thinking like an economist, to this very day, it occurred to me that Marx had made a 'discovery' that must remain at the heart of any useful analysis of capitalism. It was, of

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<sup>2</sup> For examples of the resulting research, see Varoufakis (2013) and Varoufakis, Halevi and Theocarakis (2011).

course, the discovery of another binary opposition deeply within human labour. Between labour's two quite different 'natures': (i) *labour as a value-creating* ("fire breathing") *activity* that can never be specified or quantified in advance (and therefore impossible to commodify), and (ii) *labour as a quantity* (e.g. numbers of hours worked) *that is for sale and comes at a price*. That is what distinguishes labour from other productive inputs such as electricity: its twin, contradictory, nature. A differentiation-cum-contradiction that political economics neglected to make before Marx came along and which mainstream economics is steadfastly refusing to acknowledge today. Both electricity and labour can be thought of as commodities. Indeed, both employers and workers struggle to commodify labour. Employers use all their ingenuity, and that of their HR management minions, so as to quantify, measure and homogenise labour. Meanwhile prospective employees go through the wringer in an anxious attempt to commodify their labour power, to write and re-write their CVs in order to portray themselves as purveyors of quantifiable labour units. And there's the rub! For if workers and employers even succeed in commodifying labour fully, capitalism will perish. This is an insight without which capitalism's tendency to generate crises can never be fully grasped and, also, an insight that no one has access to without some exposure to Marx's thought.

### 3. Science-fiction becomes documentary

In the classic 1953 film *The Invasion of the Body Snatchers*, the alien force does not attack us head on, unlike in, say, H.G. Wells' *The War of the Worlds*. Instead, humans are taken over from within, until nothing is left of their human spirit and emotions. Their bodies are all that remains as shells that used to contain a free will and which now labour, go through the motions of everyday 'life', and function as human simulacra 'liberated' from the unquantifiable quirkiness of human nature. This process is equivalent to the transformation that is necessary in order to turn human labour into an input not dissimilar to seeds, electricity, indeed to robots. In modern parlance, it is what would have transpired if human labour had become perfectly reducible to human capital and thus fit for insertion into the vulgar economists' models.

Come to think of it, each and every non-Marxist economic theory, that treats human and non-human productive inputs as interchangeable and qualitatively equivalent quantities, assumes that the de-humanisation of human labour is complete. But if it could ever be completed, the result would be the end of capitalism as a system capable of creating and distributing value. For a start, a society of dehumanised simulacra, of automata, would resemble a mechanical watch full of cogs and springs, each with its own unique function, together producing a 'good': time keeping. Yet if that society contained nothing but other automata, time keeping would not be a 'good'. It would be an 'output' for sure but why a 'good'? Without real humans to experience the clock's function, there can be *no* such thing as 'good' or 'bad'. A 'society' of automata would, like the mechanical watch or some integrated circuit, be replete with functioning parts, demonstrating *function* but nothing that can be usefully described as 'good' or 'evil', indeed of 'value'.

So, to recap, if capital ever succeeds in quantifying, and subsequently fully commodifying, labour, as it is constantly trying to, it will also squeeze that indeterminate, recalcitrant human freedom from within labour which allows for the generation of value. Marx's brilliant insight into the essence of capitalist crises was precisely this: the greater capitalism's success in turning labour into a commodity the less the value of each unit of output it generates, the lower the profit rate and, ultimately, the nearer the next nasty recession of the economy as a system. The portrayal of human freedom as an *economic category* is unique in Marx, making possible a distinctively dramatic and analytically astute interpretation of capitalism's propensity to snatch recession, even depression, from the jaws of 'growth'.

When Marx was writing that labour is the living, form-giving fire; the transitoriness of things; their temporality; he was making the greatest contribution any economist has ever made to our understanding of the acute contradiction buried inside capitalism's DNA. When he portrayed capital as a "... force we must submit to... [i]t develops a cosmopolitan, universal energy which breaks through every limit and every bond and posts itself as the only policy, the only universality the only limit and the only bond,"<sup>3</sup> he was highlighting the reality that labour can be purchased by liquid capital (i.e. money), in its commodity form, but that it will always carry with it a will hostile to the capitalist buyer. But Marx was not just making a psychological, philosophical or political statement. He was, rather, supplying a remarkable analysis of why the moment labour (as an unquantifiable activity) sheds this hostility, it becomes sterile, incapable of producing value.

At a time when neoliberals have ensnared the majority in their theoretical tentacles, regurgitating incessantly the ideology of enhancing labour productivity in an effort to enhance competitiveness with a view to creating 'growth' etc., Marx's analysis offers a powerful antidote. Capital can never

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<sup>3</sup> See Karl Marx (1844, 1969), *Economic and Philosophical Manuscripts*.

win in its struggle to turn labour into an infinitely elastic, mechanised input, without destroying itself. That is what neither the neoliberals nor the Keynesians will ever grasp! "If the whole class of the wage-labourer were to be annihilated by machinery", wrote Marx "how terrible that would be for capital, which, without wage-labour, ceases to be capital!"<sup>4</sup> The closer capital edges toward its 'final victory' over labour, the more our society resembles another science fiction movie. One that was foreshadowed by, yes, Karl Marx: *The Matrix*.

What is unique in *The Matrix* is that, in it, our artifacts' rebellion was not just a simple case of creator-cide. Unlike Frankenstein's *Thing*, which attacks humans irrationally out of its sheer existentialist angst, or *The Terminator* series' machines, which just want to exterminate all humans in order to consolidate their future dominance on the planet, in *The Matrix* the emergent empire of machines is keen to *preserve* human life for its own ends; to keep us alive as a *primary resource*. *Homo sapiens*, notwithstanding that it invented human slavery, and despite our unparalleled track record of inflicting unspeakable horrors on our brethren, could not have even imagined the despicable role that the machines would assign it in *The Matrix*: Strapped onto contraptions that immobilised us to save energy, the machines force-fed us with a blend of nauseating nutrients suitable for maximum heat generation.

However, the machines were soon to discover that humans do not last long when their spirit is broken and their freedom utterly deprived. Our curious need for liberty was, thus, threatening the efficacy of their human-driven power plants. So, the machines obliged us with what Marx would have called a 'false consciousness'. They forced not only nutrients into our bodies but also illusions that our spirit craved into our minds. Ingeniously, they attached electrodes to our skulls with which they fed, directly into our brain, a *virtual*, yet utterly *realistic*, life that, as humans, we could cope with. While our bodies were still brutally plugged into their power generators, feeding them with electricity sourced from our body heat, the machines' computer program known as *The Matrix* filled our minds with an imaginary, illusory yet very 'real' 'normal' life. That way our bodies, oblivious to reality, could live for decades, to the great utility of the machines responsible for generating enough power to sustain their new world. Human oblivion proved a crucial factor of production in the *Matrix Economy*.

"Machines have acquired the governing power over human labour and its products"<sup>5</sup>, was the way Marx described the 'rise of the machines' as a cross between an ancient Greek and a Shakespearian tragedy that evolved against the background of an industrial revolution in which the few owned the machines and the many worked them. Marx's point was that, in the universe of capital, we are already trans-human. The *Matrix* is no futurology. It has been part of our reality for a while now! It is a top-notch documentary of *our* era or, to be more precise, of the tendency of our era to bleach out of human labour all those characteristics that prevent it from becoming fully flexible, perfectly quantified, infinitely divisible. As for Marx, his role was to provide us with the option of the 'red pill'<sup>6</sup>; a chance to stare in the face, without the soothing illusions of bourgeois ideology, the ugly reality of a system that produces crises and deprivation as a matter of course, by design, and certainly not by accident.

Read any management manual, any paper in some journal on the economics of education, every paper that has come from the European Union on training, schools, universities, productivity enhancing programs, competitiveness etc. What you will immediately recognise is that we are already living in our own version of *The Matrix*. The inexorable efforts of capital to quantify and usurp labour have infected all these documents which are sponsoring a society in which people are aspiring to becoming automata. An ideology whose programmatic extension is the transformation of human work into a version of the thermal energy that permits the machines greater leeway to function and to manufacture other machines that, tragically, lack any capacity to generate... value.

In this sense, *our* Matrix can only be provisional since the nearer it gets to the perfected movie version the more likely a monumental crisis becomes, as economic values fall through the floor, a

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<sup>4</sup> Marx in 'Wage-Labour and Capital', first published in the *Neue Rheinische Zeitung*, April 5-8 and 11, 1849. [Delivered as lectures in 1847] Edited with an introduction by Friedrich Engels in 1891. Translated by Harriet E. Lothrop, New York: Labor News Company, 1902.

<sup>5</sup> See Karl Marx (1844, 1969), *Economic and Philosophical Manuscripts*.

<sup>6</sup> Towards the beginning of *The Matrix*, an urban guerilla who helped our Thomas Anderson, aka Neo, escape from suited 'agents' offers him a stark choice between two pills. If he took the blue pill, he would be returned to his bed and awake in the morning thinking the whole thing was a nightmare before resuming his 'normal' life. If however he opted for the red pill, he would learn the truth about his life and society. In a triumph of reckless curiosity over the lure of simple pleasures, Neo turned down the prospect of blissful ignorance offered by the blue pill, opting instead for the cruel reality promised by the red one.

Great Recession arrives, and the rise of the machines is reversed when investment in them becomes negative. From this Marxian perspective, returning to the movie again, the band of liberated humans in the guts of the machine society (who lead the human resurrection against the machines) symbolises the human resistance to becoming human capital; the irreducible inherent hostility toward quantification that remains embedded inside the hearts and minds even of those who spend all their energies trying to become commodified on behalf of their employers. The delicious irony in this is that the very hostility that capital is attempting to eradicate in labour is what makes labour capable of producing value and allows capital to accumulate.

#### 4. What has Marx done for us?

Paul Samuelson once denigrated Marx by calling him a minor Ricardian. Almost every school of thought, including some progressive economists, like to pretend that, though Marx was a powerful figure, very little, if anything, of his contribution remains relevant today. I beg to differ.

Besides having captured the basic drama of capitalist dynamics (see the previous section), Marx has given me the tools with which to become immune to the toxic propaganda of neoliberal enemies of genuine freedom and rationality. For example, the idea that wealth is privately produced and then appropriated by a quasi-illegitimate state, through taxation, is easy to succumb to if one has not been exposed first to Marx's startlingly poignant argument that precisely the opposite applies: wealth is *collectively* produced and then privately appropriated through social relations of production and property rights that rely, for their reproduction, almost exclusively on false consciousness. Similarly with the concept of 'autonomy', that resonates so well in this 'postmodern' world of ours. It too is produced collectively, through the dialectic of mutual recognition, and then privately seized. If only Marx had been taken seriously (by, it must be said, the Marxists as well as by his detractors), much of the hot air that accumulated over the years in the annals of cultural studies would have been avoided.

Phil Mirowski has recently<sup>7</sup> highlighted, quite eloquently, the neoliberals' success in convincing a large array of people that markets are not just a useful means but also an inalienable end in itself. That while collective action and public institutions are *never* able to 'get it right', the unfettered operations of decentralised private interest generates a kind of secular-*cum*-divine providence that is guaranteed to produce not only the right outcomes but also the right desires, character, ethos even. The best example of neoliberal crassness is, of course, the debate on climate change and what to do about it. Neoliberals have rushed in to argue that, if anything is to be done, it must take the form of creating a quasi-market for 'bads' (e.g. an emissions' trading scheme) since only markets 'know' how to price goods and bads appropriately. To understand both why such a quasi-market solution is bound to fail and, more importantly, where the motivation comes from for such 'solutions', one can do much worse than to become acquainted with logic of capital accumulation that Marx outlined and Michal Kalecki adapted to a world ruled by networked oligopolies.

In the 20<sup>th</sup> Century, the two political movements that sought their roots in Marx's musings were the communist and social democratic parties. Both of them, in addition to their other errors (and, indeed, crimes) failed, to their detriment, to follow Marx's lead in a crucial regard: instead of embracing liberty and rationality as their rallying cries and organising concepts, they opted for equality and justice, bequeathing freedom to the neoliberals. Marx was adamant: The problem with capitalism is not that it is unfair but that it is irrational, as it habitually condemns whole generations to deprivation and unemployment and even turns capitalists into angst-ridden automata who are, also, enslaved by the machines that they supposedly own, living in permanent fear that unless they commodify their fellow humans fully so as to serve capital accumulation more efficiently they will cease to be... capitalists.

So, if capitalism appears unjust this is because it enslaves *Matrix*-like everyone, workers and capitalists; it wastes human and natural resources; it churns out unhappiness, illiberty and crises from the same 'production line' that pumps out remarkable gizmos and untold wealth. Having failed to couch a critique of capitalism in terms of freedom and rationality, as Marx thought essential, social democracy and the Left in general allowed the neoliberals to usurp the mantle of freedom and to win a spectacular triumph in the contest of faculties and ideologies<sup>8</sup>.

Staying with the neoliberal triumph, perhaps its most significant dimension is what has come to be known as the 'democratic deficit'. Rivers of crocodile tears have flowed over the decline of our great democracies during the past three decades of financialisation and globalisation. Marx would have laughed long and hard at those who seem surprised, or upset, by the 'democratic deficit'. What was the great objective behind 19<sup>th</sup> century liberalism? It was, as Marx never tired to point

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<sup>7</sup> See Mirowski (2013).

<sup>8</sup> For more on this argument see Varoufakis (1991) and Varoufakis (1998).

out, to separate the economic sphere from the political sphere and to confine politics to the latter while leaving the economic sphere to capital. It is liberalism's splendid success in achieving this long-held goal that we are observing today. Take a look at South Africa today, more than two decades after Nelson Mandela was freed and the political sphere, at long last, embraced the whole population. The ANC's predicament was that, in order to be allowed to dominate the political sphere, it had to accept impotence over the economic one. And if you think otherwise, I suggest that you talk to the dozens of miners gunned down by armed guards paid by their employers after they dared demand a wage rise.

#### 5. Why erratic? Marx's two unforgivable errors

Having explained why I owe whatever understanding of our social world I may possess largely to Karl Marx, I now want to explain why I remain terribly angry with him. In other words, I shall outline why I am *by choice* an erratic, inconsistent Marxist. Marx committed two spectacular mistakes, one of them an error of omission the other one of commission. These mistakes are important to this date because they hamper the Left's effectiveness in countering organised misanthropy, especially in Europe.

Marx's first error, the one that I suggest was due to omission, was that he was insufficiently dialectical, insufficiently reflexive. He failed to give sufficient thought, and kept a judicious silence, over the impact of his own theorising on the world that he was theorising about. His theory is discursively exceptionally powerful, and Marx had got whiff of its power. How come he showed no concern that his disciples, people with a better grasp of these powerful ideas than the average worker, might use the power bestowed upon them, via Marx's own ideas, in order to abuse other comrades, to build their own power base, to gain positions of influence, to bed impressionable students etc.?

To give a second example, we know that the success of the Russian Revolution caused capitalism, in due course, strategically to recoil and to concede pension schemes and national health services, even the idea of forcing the rich to pay for masses of poor students to attend purpose-built liberal colleges and universities. At the same time, we also saw how the rabid hostility to the Soviet Union, with a series of invasions as the prime example, stirred up paranoia amongst socialists and created a climate of fear which proved particularly fertile for figures like Joseph Stalin and Pol Pot. Marx never saw this dialectical process coming. He just did not consider the possibility that the creation of a workers' state would force capitalism to become more civilised while the workers' state would be infected with the virus of totalitarianism as the hostility of the rest of the (capitalist) world towards it grew and grew.

Marx's second error, the one I ascribe to commission, was worse. It was his assumption that truth about capitalism could be discovered in the mathematics of his models (the so-called 'schemas of reproduction'). This was the worst disservice Marx could have delivered to his own theoretical system. The man who equipped us with human freedom as a first order economic concept; the scholar who elevated radical indeterminacy to its rightful place within political economics; he was the same person who ended up toying around with simplistic algebraic models, in which labour units were, naturally, fully quantified, hoping against hope to evince from these equations some additional insights about capitalism. After his death, Marxist economists wasted long careers indulging a similar type of scholastic mechanism, ending up with what Nietzsche once described as "the pieces of mechanism that have come to grief". Fully immersed in irrelevant debates on the transformation problem and what to do about it, they eventually became an almost extinct species, as the neoliberal juggernaut crushed all dissent in its path.

How could Marx be so deluded? Why did he not recognise that no truth about capitalism can ever spring out of any mathematical model however brilliant the modeller may be? Did he not have the intellectual tools to realise that capitalist dynamics spring from the unquantifiable part of human labour; i.e. from a variable that can *never* be well-defined mathematically? Of course he did, since he forged these tools! No, the reason for his error is a little more sinister: just like the vulgar economists that he so brilliantly admonished (and who continue to dominate the Departments of Economics today), he coveted the power that mathematical 'proof' afforded him.

If I am right, Marx knew what he was doing. He understood, or had the capacity to know, that a comprehensive theory of value cannot be accommodated within a mathematical model of a growing, of a dynamic capitalist economy. He was, I have no doubt, aware that a proper economic theory must respect Hegel's dictum that "the rules of the undetermined are themselves undetermined". In economic terms this meant a recognition that the market power, and thus the profitability, of capitalists was not necessarily reducible to their capacity to extract labour from

employees; that some capitalists can extract more from a given pool of labour or from a given community of consumers for reasons that are external to his own theory.

Alas, that recognition would be tantamount to accepting that his 'laws' were not immutable. He would have to concede to competing voices in the trades union movement that his theory was indeterminate and, therefore, that his pronouncements could not be uniquely and unambiguously correct. That they were permanently provisional. But Marx felt an irrepressible urge to quash people like Citizen Weston<sup>9</sup> who dared worry that a wage rise (achieved through strike action) might prove Pyrrhic if capitalists push prices up subsequently. Instead of just *arguing* against people like Weston, Marx was determined to prove with mathematical precision that they were wrong, unscientific, vulgar, unworthy of serious attention.

There were times when Marx realised, and confessed, to having erred on the side of determinism. Once he moved to the third volume of *Capital*, he saw that, even minimal complexity (e.g. allowing different degrees of capital intensity in different sectors) derailed his argument against Weston. But so committed was he to his own monopoly over the truth that he steamrolled over the problem, dazzlingly but too bluntly, imposing by fiat the axiom which would, in the end, vindicate his original 'proof'; the one with which he had battered Citizen Weston over the head. Strange are the rituals of emptiness and sad are these rituals when performed by exceptional minds, like Karl Marx and by a considerable number of his 20<sup>th</sup> Century disciples.

This determination to have the 'complete', 'closed' story, or model, the 'final word', is something I cannot forgive Marx for. It proved, after all, responsible for a great deal of error and, more significantly, of authoritarianism. Errors and authoritarianism that are largely responsible for the Left's current impotence as a force of good and as a check on the abuses of reason and liberty that the neoliberal crew are overseeing today.

#### 6. Mr Keynes' radical idea

Keynes was an enemy of the Left. He liked the class system that spawned him, wanted nothing to do (personally) with the riff-raff 'downstairs', and worked hard and cleverly in order to come up with ideas that would allow capitalism to survive against its own propensity for, potentially, deadly spasms. An open-minded, free-spirited, bourgeois liberal thinker, Keynes had the rare gift of not shying away from a challenge to his own presuppositions. In the midst of the Great Depression, he was quite happy to break free of the Marshallian tradition that was his legacy. Upon noticing that employment sunk deeper the lower the wage fell, and that investment was refusing to rise even after a long period of zero interest rates, he was prepared to tear up the 'textbook' and re-consider capitalism's ways.

His radical re-thinking had to begin somewhere. It began when Keynes broke ranks with his peers by doing the unthinkable: By revisiting the spat between David Ricardo and Thomas Malthus and taking the side of the clergyman. In no uncertain terms, in the midst of the *Great Depression*, he wrote: "[I]f only Malthus, instead of Ricardo, had been the parent stem from which nineteenth-century economics proceeded, what a much wiser and richer place the world would be today!"<sup>10</sup> With this inflammatory statement, Keynes was adopting neither Malthus' stand in favour of aristocratic rentiers nor his theological views about the redemptive power of suffering<sup>11</sup>. Rather, Keynes embraced Malthus' scepticism regarding (a) the wisdom of seeking a *theory of value* which is consistent with capitalism's *complexity* and *dynamics*, and (b) Ricardo's conviction, which Marx later inherited, that persistent depression is incompatible with capitalism.

Why did Keynes not converge to Marx's position, who after all was the first political economist to explain crises as constituents of capitalist dynamics? Because the Great Depression was not like other downturns, of the sort that Marx had explained so well. In *Capital* Vol. 1 Marx told the story of redemptive recessions occurring due to the twin nature of labour and giving rise to periods of growth that are pregnant with the next downturn which, in turn, begets the next recovery, and so on. However, there was nothing redemptive about the Great Depression. The 1930s slump was just that: a slump that behaved very much like a static equilibrium – a state of the economy that seemed perfectly capable of perpetuating itself, with the anticipated recovery stubbornly refusing

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<sup>9</sup> See Marx's *Wages, Prices and Profit*, in which Marx's debate with Citizen Weston is narrated by Marx himself.

<sup>10</sup> See his essay on Malthus, "Robert Malthus: The First of the Cambridge Economists," penned in 1933, in John Maynard Keynes (1972). *The Collected Works of John Maynard Keynes, Vol. X: Essays in Biography*, London: Macmillan. The quote appears on pp. 100-1. Originally published in *Essays in Biography*, 1933.

<sup>11</sup> Malthus made his name by prognosticating that population growth would outstrip the Earth's resources, despite our better efforts, and therefore that famine was an essential 'equilibrating' mechanism. As a man of the cloth, he explained this as part of God's design: The suffering of the masses, the swollen tummies of the inebriated children, and the exhausted faces of the grieving mothers were a divinely afforded opportunity for humans to embrace good and fight evil.



to appear over the horizon even after the rate of profit recovered in response to the collapse of wages and interest rates.

Keynes' gem of a 'discovery' about capitalism was twofold: (A) It was an inherently indeterminate system, featuring what economists might refer to today as an infinity of multiple equilibria, some of which were consistent with permanent mass unemployment, and (B) it could fall into one of these terrible equilibria at the drop of a hat, unpredictably, without rhyme or reason, just because a significant portion of capitalists feared that it may do so.

In plain language, this meant that, as far as predicting slumps and their overcoming by market forces, "we are damned if we know!" That we have no way of knowing what capitalism will do tomorrow even if, today, it is going from strength to strength. That it may very well fall flat on its face and refuse to rise again. Keynes' 'animal spirits' notion represented a deeply radical idea, capturing the radical indeterminacy buried inside capitalism's very DNA. An idea that Marx first introduced, with his analysis of labour's dialectical nature, but then, in the process of writing *Capital*, crushed so as to establish his theorems as mathematical, indisputable proofs. Of all the passages in Keynes' *General Theory*, this idea, of capitalism's self-destructive capriciousness, is the one we need to retrieve and use to re-radicalise Marxism.

#### 7. Mrs Thatcher's lesson for today's European radicals

I moved to England to attend university in September 1978, six months or so before Mrs Thatcher's victory that changed Britain forever. Watching the Labour government disintegrate, under the weight of its degenerate social democratic program, led me to an error of the first order: to the thought that perhaps Mrs Thatcher's victory would be a good thing, delivering to Britain's working and middle classes the short, sharp, shock necessary to reinvigorate progressive politics. To give the Left a chance to re-think its position and to create a fresh, radical agenda for a new type of effective, progressive politics.

Even as unemployment doubled and then trebled, under Mrs Thatcher's radical neoliberal 'interventions', I continued to harbour hope that Lenin was right: "Things have to get worse before they get better." As life became nastier, more brutish and, for many, shorter, it occurred to me that I was tragically in error: things could get worse in perpetuity, without ever getting better. The hope that the deterioration of public goods, the diminution of the lives of the majority, the spread of deprivation to every corner of the land would, automatically, lead to a renaissance of the Left was just that: hope!

The reality was, however, painfully different. With every turn of the recession's screw, the Left became more introverted, less capable of producing a convincing progressive agenda and, meanwhile, the working class was being divided between those who dropped out of society and those co-opted into the neoliberal mindset. The notion that the deterioration of the 'objective conditions' would somehow give rise to the 'subjective conditions' from which a new political revolution will emerge was well and truly bogus. All that sprang out of Thatcherism were the spivs, extreme financialisation, the triumph of the shopping mall over the corner store, the fetishisation of housing and... Tony Blair.

Instead of radicalising British society, the recession that Mrs Thatcher's government so carefully engineered, as part of its class war against organised labour and against the public institutions of social security and redistribution that had been established after the war, permanently destroyed the very possibility of radical, progressive politics in Britain. Indeed, it rendered impossible the very notion of values that transcended what the market determined as the 'right' price.

The lesson that Mrs Thatcher taught me the hard way, regarding the capacity of a long lasting recession to undermine progressive politics and to entrench misanthropy into the fibre of society, is one that I carry with me into today's European crisis. It is, indeed, the most important determinant of my stance in relation to the Euro Crisis that has occupied my time and thinking almost exclusively over the past few years. It is the reason why I am happy to confess to the sin that is apportioned to me by radical critics of my 'Menshevik' stand on the Eurozone: the sin of choosing *not* to propose radical political programs that seek to exploit the Euro Crisis as an opportunity to overthrow European capitalism, to dismantle the awful Eurozone, and to undermine the European Union of the cartels and the bankrupt bankers.

Yes, I would love to put forward such a radical agenda. But, no, I am not prepared to commit the same error twice. What good did we achieve in Britain in the early 1980s by promoting an agenda of socialist change that British society scorned while falling headlong into Mrs Thatcher's neoliberal trap? Precisely none. What good will it do today to call for a dismantling of the Eurozone, of the European Union itself, when European capitalism is doing its utmost to undermine the Eurozone, the European Union, indeed itself?

A Greek or a Portuguese or an Italian exit from the Eurozone will soon develop into a fragmentation of European capitalism, yielding a seriously recessionary surplus region east of the Rhine and north of the Alps while the rest of Europe is in the clasp of vicious stagflation. Who do you think will benefit from this development? A progressive Left, that will rise Phoenix-like from the ashes of Europe's public institutions? Or the Golden Dawn Nazis, the assorted neo-fascists, the xenophobes and the spivs? I have absolutely no doubt as to which of the two will benefit from a disintegration of the Eurozone. I, for one, am not prepared to blow fresh wind into the sails of this postmodern version of the 1930s. If this means that it is we, the suitably erratic Marxists, that must try to save European capitalism from itself, so be it. Not out of love or appreciation of European capitalism, of the Eurozone, of Brussels, or of the European Central Bank but just because we want to minimise the unnecessary human toll from this crisis; the countless lives whose prospects will be further crushed without any benefit whatsoever for the future generations of Europeans.

#### 8. Conclusion: What should Marxists do?

Europe's elites are behaving today like a hapless cast of clueless leaders who understand neither the nature of the crisis that they are presiding over nor its implications for their own fate - let alone for the future of European civilisation. Atavistically, they are choosing to plunder the diminishing stocks of the weak and the dispossessed in order to plug the gaping black holes of their bankrupted bankers, refusing to come to terms with the impossibility of the task. Having created a monetary union that (A) removed all shock absorbers from Europe's macro-economy and (B) ensured that, when the shock comes, it would be gigantic, they are now investing in denial hoping, irrationally, for some miracle that the gods may deliver provided sufficient numbers of human lives are sacrificed on the altar of competitive austerity.

Every time the troika bailiffs visit Athens, Dublin, Lisbon, Madrid; with each pronouncement of the European Central Bank or of the European Commission on the next turn of the austerity screw that must be effected in Paris or in Rome; Berthold Brecht's line comes to mind: "Brute force is out of date. Why send out hired murderers when bailiffs will do?" The question is: How do we resist them? Always alive to the Left's collective guilt over the industrial feudalism to which we condemned millions of people for decades, in the name of... progressive politics, I shall nevertheless draw a parallel between the Soviet and the European Unions. Despite their great differences, one thing they do have in common: the uniform 'party line' that runs seamlessly from the top (the Politburo or the Commission) to the very bottom (every junior minister in each member-state, or the last commissar, parroting the same inanities). Both Soviet and EU apparatchiks share a Christian sects' determination to acknowledge facts only if they are congruent with prophesy and their sacred texts. Mr Olli Rehn, for example, who is the European Union's commissioner with responsibility over economic and financial affairs recently had the audacity to accuse the International Monetary Fund for unveiling errors in the computation of the Eurozone's fiscal multipliers because such revelation "...undermined the European people's confidence in their institutions". Not even Leonid Brezhnev would have dared make such a public statement!

With Europe's elites deep in denial, disarray, and with their heads buried ostrich-like in the sand, the Left must admit that we are just not ready to plug the chasm that a collapsing European capitalism will open up with a functioning socialist system, one that is capable of generating shared prosperity for the masses. Our task should then be twofold: To put forward an analysis of the current state of play that non-Marxist, well meaning Europeans who have been lured by the sirens of neoliberalism, find insightful. And to follow this sound analysis up with proposals for stabilising Europe - for ending the downward spiral that, in the end, reinforces only the bigots and incubates the serpent's egg. Ironically, those of us who loathe the Eurozone have a moral obligation to save it!

This is what we have been trying to do in with our *Modest Proposal*<sup>12</sup>. When addressing diverse audiences ranging from radical activists to hedge fund managers, the idea is to forge strategic alliances even with right-wingers with whom we share a simple interest: an interest to end the negative feedback loop between austerity and crisis, between bankrupt states and bankrupt backs; a negative feedback effect that undermines both capitalism and any progressive program for replacing it. This is how I defend my attempts to enlist to the cause of the *Modest Proposal* the likes of Bloomberg and New York Times journalists, of Tory members of Parliament, of financiers who are concerned with Europe's parlous state.

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<sup>12</sup> See Y. Varoufakis, S. Holland and J.K. Galbraith (2013). [A Modest Proposal for Resolving the Euro Crisis](#), Version 4.0

The reader will allow me to conclude with two final confessions. While I am happy to defend as genuinely radical the pursuit of a modest agenda for stabilising a system that I despise, I shall not pretend to be enthusiastic about it. This may be what we *must* do, under the current circumstances, but I am sad that I shall probably not be around to see a more radical agenda being sensibly adopted. Lastly, a confession of a highly personal nature: I *know* that I run the risk of, surreptitiously, lessening the sadness from ditching any hope of replacing capitalism in my lifetime by indulging a feeling of having become 'agreeable' to the circles of 'polite society'. The sense of self-satisfaction from being feted by the high and mighty did begin, on occasion, to creep up on me. And what a non-radical, ugly, corruptive and corrosive sense it was!

My personal nadir came at an airport. Some moneyed outfit had invited me to give a keynote on the European crisis and had forked out the ludicrous sum necessary to buy me a first class ticket. On my way back home, tired and already with several flights under my belt, I was making my way past the long queue of economy passengers, to get to my gate. Suddenly I noticed, with considerable horror, how easy it was for my mind to be infected with the sense that I was 'entitled' to bypass the *hoi polloi*. I realised how readily I could forget that which my left-wing mind had always known: *that nothing succeeds in reproducing itself better than a false sense of entitlement*. Forging alliances with reactionary forces, as I think we should do to stabilise Europe today, brings us up against the risk of becoming co-opted, of shedding our radicalism through the warm glow of having 'arrived' in the corridors of power.

Radical confessions, like the one I have attempted to script here, are perhaps the only programmatic antidote to ideological slides that threaten to turn us into cogs of the machine. If we are to forge alliances with the devil (e.g. with the IMF, with neoliberals who, nevertheless, object to what I term 'bankruptocracy', etc.), we must avoid becoming like the socialists who failed to change the world but succeeded in improve... their private circumstances. The trick is to avoid the revolutionary maximalism that, in the end, helps the neoliberals bypass all opposition to their self-defeating nastiness and to retain in our sights capitalism's inherent ugliness while trying to save it, for strategic purposes, from itself. Radical confessions can be helpful in striking this difficult balance. After all, Marxist humanism is a constant struggle against what we are becoming.

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