

A *GENERAL THEORY* FOR OUR TIME: ON PIKETTY

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Among its other notable achievements, Thomas Piketty's *Capital in the Twenty-First Century* has turbocharged economics' superlative machine. 'Explosive.' 'Landmark.' 'Groundbreaking.' 'The book of the decade'.¹ Lawrence Summers says it deserves a Nobel Prize.² All this for a massive, chart-filled analysis of growth and inequality (the French original is 950 pages). But it is nothing less than a phenomenon, and the book and its author have quickly become central to debates concerning the dynamics and trajectory of modern capitalism.

Of course, as part of this whirlwind, the book has been reviewed or discussed virtually everywhere, from newspapers, to the blogosphere, to *The New York Review of Books*. Often the comments come from influential public intellectuals—Dani Rodrik, Kenneth Rogoff, etc.—and part of the game has now become waiting to see what X has to say about Piketty; Slavoj Žižek and the Hoover Institution are the latest to come across my desk.³ On the political economy front, David Harvey, James Galbraith, and Paul Krugman have all weighed in, as have other prominent figures in the world of economics (Brad de Long, Robert Solow, and more).⁴

Unsurprisingly, these engagements with Piketty cover a wide political and ideological ground, but the debate is certainly stimulating. Despite the fact that some of them come from far right field, I have yet to read one that has nothing useful to add, for there is indeed much to be said, and the book is so large, and its ambit so wide, that the conversation will not end soon. Yet there is something crucial still missing from the

¹ Translated by Arthur Goldhammer, Belknap Press, 2014. Originally published in 2013 as *Capital au XXI^e siècle*, Paris: Seuil. References throughout refer to the French; quotations are my translations, which are often slightly different than Goldhammer's.

² Summers 2014.

³ Rodrik 2014; Rogoff 2014; Žižek 2014; Epstein 2014.

⁴ Harvey 2014; Galbraith 2014; Krugman 2014; DeLong 2014; Solow 2014.

conversation, especially on the left. Most responses take a somewhat narrow approach to the book. The focus has largely been on whether and on what grounds the book is right or wrong, or whether or not the book is as right as other books, or whether or not Piketty's methodology, variable specification or theoretical framework is adequate to his empirical claims or policy prescriptions. In radical and non-orthodox circles this strategy for the most part involves holding Piketty's *Capital* up to the mirror of Marx's *Capital*, and then cataloguing the ways in which, while an important read, the former misconstrues or simply falls (far) short of the latter—Harvey's and Galbraith's reviews are exemplary.

I think this unfortunate, but not because I would dispute their arguments. On the terms with which they engage Piketty, I have little important to quibble with in Harvey's or Galbraith's assessment, and much to learn. But it seems to me that such a critique misses the point, or at least leaves the most important questions unasked. Piketty is not trying to rewrite Marx, or, if he harbours that desire somewhere deep down, he will of course anticipate, and probably care little, that some Marxists will tell him he misunderstands the tendency of the rate of profit to fall or the nature of class struggle. That is not his audience, and that is not what the book is really about. No detailed critique of his engagement with Marx, communism, or the failures of militant radicalism will have a meaningful impact on the crucial question Piketty's *Capital* solicits. In fact, I would go so far as to say that to make such questions central to our engagement is to duck the responsibility a real critique entails, because it is to emphasize what are essentially minor details in the book's architecture, however mistaken it is on any given point. The question is not 'Is he right?' or 'Is Piketty an adequate substitute for Marx?', but rather 'What does the Piketty phenomenon tell us about contemporary capitalism?' What does the extraordinary reach and reaction the book has elicited tell us about the politics and political economy of the capitalist global North? Indeed, the most significant lessons we can learn from Piketty would be untroubled even if his argument turns out to be totally wrong-headed, and all his data fabricated in a Paris basement. His errors and shortcomings are not entirely irrelevant, but they are beside the point.

The point, rather, is that Piketty has offered, and many have desperately snatched at, *The General Theory of Employment, Interest and Money* of our epoch. Piketty's affinity with John Maynard Keynes and his 'groundbreaking' 1936 'landmark' is largely unreflexive. Keynes is mentioned twice, and Piketty briefly credits one of his fundamental laws (which ties the proportional burden of capital to the saving and growth rates) to the razor's edge of the Harrod-Domar growth models, which were heavily influenced by Keynes.⁵ Nevertheless, the ties that bind him to Keynes are powerful, and manifest themselves at many levels in *Capital in the Twenty-First Century*. The epistemology, the political stance, the methodological commitments, and the politics resonate in imperfect but remarkable harmony. All this is no accident, since the world in which Piketty's book appeared—the world that created the book's necessity—is saturated with the specifically capitalist form of anxiety that Keynes sought to diagnose, and fix, the last time it made the richest economies in the world tremble.

Keynes, Piketty and the Anxiety of Civil Society

In 1930, just as things seemed to be falling apart, Keynes published an essay entitled 'Economic Possibilities for Our Grandchildren'. 'We are suffering just now', he declared, 'from a bad attack of economic pessimism', based on 'a wildly mistaken interpretation of what is happening to us'. The slump, he promised, was merely a pause on the road to Utopian abundance, 'only a temporary phase of maladjustment. All this means in the long run *that mankind is solving the economic problem*. I would predict that the standard of life in progressive countries one hundred years hence will be between four and eight times as high as it is to-day. . . . This means that the economic problem is not—if we look to the future—*the permanent problem of the human race*'.⁶ Getting there was merely a technical issue. The only question was when:

The *pace* at which we can reach our destination of economic bliss will be governed by four things—our power to control population, our determination to avoid wars and civil dissension, our willingness to entrust to science the direction of those matters which are properly the concern of science, and the rate of accumulation as fixed by

⁵ Piketty 2013, pp. 215, 348, 365.

⁶ Keynes *CW IX*, p. 326 [*CW IX* is *Essays in Persuasion* of 1931].

the margin between our production and our consumption; of which the last will easily look after itself, given the first three.⁷

Keynes himself thought the first and the third were nothing to worry about. Population, he believed, had become a non-issue.⁸ And in the capacities of scientific management by enlightened intelligentsia his faith was unshakeable. Take, as indicative, his remark in a radio address of the early 1930s: 'The economic problem is not too difficult to solve. If you leave it to me, I will look after it'.⁹

The real threat to prosperity, the politics beneath the elaborate Keynesian machine, lay in the second 'thing', avoiding 'wars and civil dissension'. In the conditions in which it was formulated, Keynes' political economy—and almost all varieties of Keynesianism—are about the production of credible stability in the face of crisis. The problem is not so much the 'radical uncertainty' that features so prominently in Keynes' thought, but the constant threat that radical uncertainty will precipitate a Hobbesian state of nature. This is the problem that motivated Keynes' most famous contribution, *The General Theory of Employment, Interest and Money* of 1936. That work, and virtually all those concepts and policies we call Keynesian, are essentially political economies of anxiety—efforts to identify, and subdue, the sources of social disorder in capitalism. This is the 'economic problem', and it is the true reason, swamped as we presently are by 'triple crisis', we often hear Keynes is 'back'.

In fact, in the first two or three years of the 'current situation'—the word crisis seems pretty much exhausted at this point—an avalanche of popular and scholarly work cheered Keynes' return from decades of exile in the wilds of economic crank-dom.¹⁰ Eventually,

⁷ Keynes CW IX, p. 331.

⁸ Keynes CW XIV, pp. 124-33.

⁹ Keynes CW XXVIII, p. 34.

¹⁰ For example: Wolf 2008; *Time* 2008; *Wall Street Journal* 2009; Posner 2009; Wolf Skidelsky 2009; Taylor 2010; Combemale 2010; Davidson 2010; Geoghegan 2011; Kicillof 2012; Mazzetti 2012; Rojo 2012. One could go on almost as long citing those who say he has returned, but advise against it with varying degrees of hostility. Then there are those, like Stiglitz 2010 and Krugman 2012, who claim he should have returned, but has not, or not enough to really matter.

the word 'Keynesian' faded away, at least relative to the initial furor. To some extent this is a function of the normalization of what is conventionally called 'Keynesianism', but even if we are willing to believe he was dead, the anxiety that resurrected Keynes back in 2008 has not subsided one bit. Indeed, while unevenly distributed, it is producing capitalism's most significant legitimization crisis since the interwar years, and has sowed the seeds for a political volatility the state and elites are addressing with what can only be described as regulatory panic. The morning I wrote these words, the European Central Bank imposed negative interest rates on banks' reserves.¹¹ Negative rates! Silvio Gesell (one of the *General Theory*'s heroic heretics) is laughing in his grave.

This is the world—at least that disproportionately powerful part of it we call the capitalist global North—into which Piketty introduced *Capital au XX^e siècle*. It is, or at least one could be forgiven for thinking it is, a somewhat paradoxical world, one in which 'capital is back', as Piketty puts it, but capitalism itself seems to have stalled. By every measure, it is increasingly unequal, increasingly undemocratic (at least in any meaningful sense democracy might have), and, it often seems, increasingly precarious. It is plagued with political and economic fragmentation and volatility, decades of geopolitical order seem to be coming unstuck, rising ethno-nationalist populisms trouble formerly dependable liberalisms in the core, and all of this is unfolding against a background of accelerating ecological and atmospheric decay. Anxiety and trepidation are widespread across class, race, national and cultural lines.

This is a world in which Piketty's message makes a lot of sense to a lot of people. It is also, at the very least at the level of the symptom, one that closely resembles the conditions in which Keynes constructed *The General Theory*. Relative to Piketty, Keynes aimed his book at a narrower readership—his 'fellow economists'—but his message was fundamentally the same.

¹¹ Technically, the negative rate (-0.10%) only applies to any excess over minimum reserve requirements (ECB 2014).

At its most basic, the Keynes-Piketty message is this: whatever its merits, capitalism unchecked will do two things that endanger the stability of the social order of modernity. First, it will increase inequality, a problem for which it has no 'natural' or 'inherent' solution. Second, it will leave a lot of people behind on both relative and absolute terms. Consequently, at some point—we do not know exactly when, but we are probably nearing it—those left behind or a significant fraction of them will refuse to accept their fate. Some will have nothing to lose in upsetting the social order; others will act out of bitterness and perceived relative deprivation. The threat is not in any way a radically democratic revolution, a cause for which both Keynes and Piketty have some vague intellectual sympathy. Both of them know this will never happen; the masses are incapable of achieving anything so positive as this. History teaches us instead that 'the people' will choose destructive and demagogic means of restructuring the social order, and everyone will lose. As Piketty makes abundantly clear, the only 'Marxian' dynamic on the horizon is the 'Marxian apocalypse'.¹² Civilization as a whole will quite possibly go down with this ship.

In this context, attachment to abstract liberal principle (free trade, 'pure' market-mediated distribution, individual merit and responsibility) is foolish, even apocalyptic. It does not matter a whit if 'pure' liberalism is 'true', or morally superior to other principles of social organization. The question is moot if it renders the very foundations of social order insecure. If liberal utopianism has any purpose at all, it is only in the long run, and in the long run we—those of us who have to make it to work tomorrow—are all dead. In the meantime, the only mechanisms that can secure a set of relations approximating liberalism are substantially illiberal, in and of themselves. But to reject them on the grounds of principle is stupid, and ultimately self-defeating. A pure liberal capitalism leads inexorably to its own destruction.

I should emphasize that my point is not that there is no difference between *Capital au XXI^e siècle* and *The General Theory*, or that Piketty and Keynes propose identical theories of capitalism. There are differences, and their theories do not line up perfectly.

¹² Piketty 2013, pp. 16, 28, 368.

For example, Piketty does not claim to propose anything so grandiose as economic bliss, and, in stark contrast to Keynes, he self-consciously prioritizes empirical data analysis (he even claims his work requires only a 'minimal theoretical framework').¹³ However, there are remarkable similarities in their accounts, a product of a shared pragmatic intuitionism in epistemology and, even more importantly, a common theory of capitalist civil society that neither of them invented, but which both are convinced is so common sense as to be irrefutable.

The Fundamental Features of Keynes' Critique of Capitalism

Keynes' theory of capitalism is elaborated from an epistemological stance that is self-consciously 'realistic', at once pragmatic and intuitionist. He constantly reminds his readers that in contrast to orthodoxy, his ideas reflect 'the world in which we actually live', and concern 'how the economy in which we actually live works'.¹⁴ This actually-existing capitalism is driven by expectations, for capitalism's motor is entrepreneurial investment, and investment is solely a function of expected yield. These expectations are always more or less radically uncertain. The likelihood of future outcomes can never be precisely or even probabilistically determined, and the more significant the event, and the farther into the future, the more and more uncertainty we must admit. Consequently, virtually all aims or claims to precision in economic analysis are false, and they are close to absurd when we look any distance into the future. Keynes' well-known distaste for fancy mathematics reflects these intuitions, which he took to be a much more appropriate theoretical basis for a practical engagement with the world. As another witticism commonly attributed to him goes, 'It is better to be vaguely right than exactly wrong'.¹⁵

This is not the place to discuss whether he was right or wrong. Nor is it the place to consider how he would have assessed the right and wrong in the economics that has come

¹³ Piketty 2013, p. 65. Keynes' use of the term 'bliss' is a reference to a much admired 1928 paper by Ramsey.

¹⁴ e.g. Keynes CW VII, pp. 13, 19, 24 note 3 [CW 7 is *The General Theory of Employment, Interest and Money*].

¹⁵ These are in fact the words of Read 1898, p. 272.

to bear his name, i.e. the relation between Keynesianism and the 'economics of Keynes'.¹⁶ This relation is much more uneven and distant than many assume, but we can bypass it because my argument is that it is the 'economics of Piketty' that matters here, and it matters not because it is 'Keynesian' (whatever that might mean) but because it recalls, and serves the same political purposes as, the 'economics of Keynes'. This exempts us from having to work through the ways in which the 'welfare state' and crisis-oriented 'fiscal policy' and 'deficit spending' should or should not 'count' as Keynesian. All that matters is that they are almost entirely absent not only from *The General Theory*, but from virtually all Keynes' work. Which is to say that if one cannot find a Philips curve or a 'sticky-price' model in Piketty, it does nothing to diminish the fact that he has written a *General Theory* for our times.

Post-war 'Keynesianism' is widely conflated with the 'economics of Keynes', I think, largely because Keynes is hardly read anymore. His writing is mostly remembered for its witticisms: 'In the long run, we are all dead'; or 'it is worse, in an impoverished world, to provoke unemployment than to disappoint the rentier'.¹⁷ One receiving a lot of airtime recently runs: 'Speculators do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes the by-product of the activities of a casino, the job is likely to be ill-done'.¹⁸

Interestingly, these snippets give us a better sense of Keynes' motivation to challenge what he called 'classical' political economy than any list of post-war 'Keynesian' policies. Classical economics, the school of thought that had dominated capitalist governance at least since the mid-19th century, built the theoretical rationale for the invisible hand of high liberal *laissez-faire*. Keynes rejected this common sense. He and others advocated state intervention and public works throughout the 1920s.¹⁹ Neither he nor the others

¹⁶ The most influential elaboration of this distinction is Leijonhufvud 1968.

¹⁷ Keynes CW IV, p. 65; IX, p. 75 [CW IV is *A Tract on Monetary Reform* of 1924].

¹⁸ Keynes CW VII, p. 159

¹⁹ The classical approach, despite its geographically uneven hegemony in Europe and North America from the early 1800s, had of course come under attack before Keynes,

needed the *General Theory* to make this case: the policies we call 'Keynesian' are all basically 'logical' reactions to falling profits, unemployment and social unrest, and many—though by no means most—'orthodox' economists advocated them at the time.²⁰ As with our present crisis, the turn to the state had little relation to the poverty or injustices visited upon the masses. Elites' goals in the 1920s and 1930s were the same as today: to prop up spending to save themselves, and to ensure the legitimacy of the existing order.

For Keynes, the latter was more important than the former. He made this point repeatedly, before and after *The General Theory*. The following, from 1924, is typical:

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.²¹

The stakes in the success of the legitimation project are literally existential. 'Civilization', Keynes wrote fourteen years later, 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'.²² Without such efforts, Hobbes was right, and the result would be what Hegel called the 'rabble'.²³ When Keynes said 'in the long run, we are all dead', this is what he had in mind.²⁴ As he explained it himself in 1937:

and market fundamentalism, to the extent that it ever organized state policy, had been 'temporarily' suspended many times. For example, 1858 (US, then Europe), 1873 (UK), 1907 (US), 1914 (all over), 1923 (Germany).

²⁰ e.g. Frank Knight, Jacob Viner, and Paul Douglas.

²¹ Keynes CW IV, p. 24. Alternatively, as he wrote in 'The End of *Laissez-Faire*', 'capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative yet in sight, but that in itself it is in many ways extremely objectionable' (Keynes CW IX, p. 294).

²² Keynes CW X, pp. 446-7 [CW X is *Essays in Biography* of 1933].

²³ 'Poverty itself does not reduce people to a rabble; a rabble is created only by the disposition associated with poverty, by inward rebellion against the rich, against society, the government, etc. . . . This in turn gives rise to the evil that the rabble do not have

It is our duty to prolong peace, hour by hour, day by day, for as long as we can. We do not know what the future will bring, except that it will be quite different from anything we could predict. I have said in another context that it is a disadvantage of 'the long run' that in the long run we are all dead. But I could have said equally well that it is a great advantage of 'the short run' that in the short run we are still alive. Life and history are made up of short runs. If we are at peace in the short run, that is something. The best we can do is put off disaster, if only in the hope, which is not necessarily a remote one, that something will turn up. While there is peace, there is peace.²⁵

The *Treatise on Money* of 1930 was Keynes' first attempt to formulate a properly scientific justification for the interventionist intuition in the face of unemployment. But the failures of its 'magic formula' prescription for capitalism's failures—cheap money—were evident to him even before it appeared in print.²⁶ The *General Theory's* contribution—and this was its express purpose—was instead to develop the most coherent and useful theory of civil society (i.e. the sphere of property and private market exchange) and its relation to the state in modern capitalism. It illuminated the economic mechanisms on which 'modern communities' relied.

Keynes explicitly intended *The General Theory* as a critical theory of 'actually existing' capitalism, illuminating the reality that falls short of classical, all-engines-firing, *laissez-faire* utopia. This theory of liberal civil society consists in the identification of a set of mutually reinforcing relational dynamics that make capitalism much less stable than classical economics would have us believe. These factors constitute a systemic logic almost Hegelian in its inevitability, its components so interlocked that selecting any one

sufficient honour to gain their livelihood through their own work, yet claim that they have a right to receive their livelihood. . . . The important question of how poverty can be remedied is one which agitates and torments modern societies especially. . . . [I]t is precisely in overproduction and the lack of a proportionate number of consumers who are themselves productive that the evil consists This shows that, despite an *excess of wealth*, civil society is *not wealthy enough* . . . to prevent an excess of poverty and the formation of a rabble' (Hegel 1991, §§244A-245).

²⁴ 'But this long run is a misleading guide to current affairs. 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' (Keynes *CW* IV, p. 65).

²⁵ Keynes *CW* XXVIII, p. 61.

²⁶ Backhouse and Bateman 2011, pp. 88-93; Clarke 1988, p. 75.

as primary is a false choice.²⁷ To simplify, though, one might argue that the root of his critique is the unavoidable fact of qualitative uncertainty, as opposed to quantifiable risk: as he said in 1937, regarding the most important of future events (wars, political shifts, etc.), 'We simply do not know'.²⁸ For Keynes, this is not a capitalist problem; it is an inescapable, transhistorical, fact of life.

But in capitalism, the fact of money—and the uses to which capitalism puts it—make all the difference. Money is not, as the classicals have it, merely a convenient means of payment with no 'real' long-run economic effects. In a monetary economy, uncertainty has a specifically *monetary* effect: money is a store of value, and when uncertain people choose to put something by for a rainy day, or just in case a good deal comes along, they put aside money, and that makes money different than any other commodity. Keynes gives the term 'liquidity-preference' to this preference for money or money-like assets over less fungible assets, and he says, quite reasonably, that it will go up when things seem unstable, and down when things are good. People tend to worry less about rainy days when skies are sunny.

Keynes was far from the first person to think about the economic effect of confidence. But in the theoretical structure of *The General Theory*, liquidity-preference is an essential pillar, because it determines the interest rate. Because liquidity-preference describes the general level of caution, or the relative desirability of liquid assets, the interest-rate—the price a borrower must pay money-holders for access to their money-capital—is a function of that caution. If uncertainty is great, then the interest rate will have to be high enough to encourage money-holders to overcome their liquidity-preference and throw caution to the wind. This demands a confidence in adequate returns from investment not only on the part of the lenders, but also on the part of borrowing entrepreneurs, who of course have to

²⁷ Indeed, the structure of *The General Theory*'s argument, constantly tracking back and forth, referring to ideas not yet discussed and reworking others already introduced, shows Keynes' struggles with causal priority. This problem is very much like that with which Marx struggled in his (Hegelian) account of the circulatory moments in the relations of production; see especially the 1857 Introduction to the *Grundrisse* (Marx 1973b).

²⁸ Keynes CW XIV, p. 114.

be optimistic enough to believe the high rate of interest will be lower than the rate of return.

But there are two crucial aspects of this tendency for people's sense of uncertainty, and therefore their liquidity-preferences, to shift or oscillate—movements that will of course be transmitted to the rate of interest. First, the reasons for the oscillations are themselves uncertain—we cannot predict the future degree of liquidity-preference—and thus we cannot predict with any certainty future rates of interest. Second, the 'sentiments', in today's terminology, that determine liquidity-preferences are not very diverse. They tend, rather, to be shaped by herd behavior, to shift together, due to what Keynes called 'mass psychology'. And mass psychology is self-reinforcing, especially in modern markets, even if you 'rationally' would not choose to go along with the crowd. You might feel like everyone is an idiot to be selling all their stocks, but if you don't do the same, you may regret it.²⁹

For Keynes, the effects of these dynamics on investment were the most important destabilizers in capitalism, primarily because of their impact on current and expected interest rates. Like most liberals, Keynes always posited the entrepreneuriat as the engine of prosperity. If there is a *primum mobile* in capitalism, it is 'investment demand', the businessman's desire to take advantage of opportunities for productive investment. But if liquidity-preference rises with uncertainty, then cash will be hoarded, interest rates will rise, and investment constrained. And without vigorous investment demand, capitalism is out of joint.³⁰ The solution was not, therefore, price adjustment, or, more specifically, wage reduction, as the classicals said. Lowering wages in a 'free market' would only

²⁹ 'Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally' (Keynes CW VII, p. 158).

³⁰ Keynes' conclusion was that classical economics, which assumed away all of this due to its unreflective embrace of Say's Law, 'has nothing to offer' (Keynes CW VII, p. 260). Say's Law states that supply creates its own demand, i.e. 'that the whole of the costs of production must necessarily be spent in the aggregate' (Keynes CW VII, p. 26). If liquidity-preference was anything other than 0—i.e. if there is any reason to feel uncertain about the future and keep some cash around—then Say's Law could not hold. And if it could not hold, then all the recommendations that came out of classical economics as to how to deal with less than full employment were useless.

increase uncertainty, push prices down and interest rates up, and make matters worse. Who would rationally borrow, invest and hire workers in such conditions?

Which is to say that unemployment was a product of the way capitalism works, a true crisis tendency. And, as Keynes said at the close of *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 capitalistic individualism'.³¹ What the *General Theory* provides is less a 'prescription' than a diagnosis of this situation. What Keynes thought might be done is only described in the broadest terms, mostly in the last three chapters of the book, 'Short Notes Suggested by the General Theory', and even in these there is almost nothing about specific policies, institutional structures, or modes of distribution. Virtually every policy or institutional relationship we commonly call 'Keynesian' today goes unmentioned. If they are to be found anywhere, it is in his pre-*General Theory* writings. Keynes wrote the *General Theory* as a self-described 'revolutionary' reconstruction of economic theory, not as guidebook to the path to abundance.

There is, however, a subtext to the analysis that points, or at least gestures, to a theoretically-grounded 'economic bliss' (in contrast to the pep-rally version in the 'Grandchildren' essay), a first-cut suggestion as to how to 'solve the economic problem':

My goal is the ideal; my object is to put economic considerations into a back seat; but my method at this moment of economic and social evolution would be to advance towards the goal by concentrating on doing what is economically sound.³²

As the 'Grandchildren' essay demonstrates, Keynes believed in a 'post-economic' world long before he developed his general theory. From his perspective, it was common sense: here were the British and other 'modern communities', with wealth, technology, and knowledge unimaginable even a few decades before. They had productive capacity beyond anyone's wildest imagination, and, he thought, people were better off and

³¹ Keynes CW VII, p. 381.

³² Keynes CW XXI, pp. 33-48.

healthier than ever before (he wasn't big on reflecting on colonialism and imperialism). When things stagnated, it was not for lack of technology, labour power, or knowledge.

The one thing that seemed to be missing, however, just when we need it most, was sufficient capital. In 1930, no one could get their hands on it. But how, with wealth like never before, could capital be scarce? Why must we make ourselves poor? It made no sense:³³

For the resources of Nature and men's devices are just as fertile and productive as they were. The rate of our progress towards solving the material problems of life is not less rapid. We are as capable as before of affording for every one a high standard of life—high, I mean, compared with, say, twenty years ago—and will soon learn to afford a standard higher still. We have not been deceived. But to-day we have involved ourselves in a colossal muddle, having blundered in the control of a delicate machine, the working of which we do not understand.³⁴

The result, it would appear, is the paradoxical 'Fate of Midas':³⁵

[T]he richer the community, the wider will tend to be the gap between its actual and its potential production; and therefore the more obvious and outrageous the defects of the economic system. . . . If in a wealthy community the inducement to invest is weak, then, in spite of its potential wealth, the working of the principle of effective demand will compel it to reduce its actual output, until, in spite of its potential wealth, it has become so poor that its surplus over its consumption is sufficiently diminished to correspond to the weakness of the inducement to invest.³⁶

³³ These concerns are the source of his constant and vehement opposition to the gold standard, framed most famously in 'The Economic Consequences of Mr Churchill'.

³⁴ Keynes CW IX, pp. 126.

³⁵ Just as Hegel said of his time, the problem was endemic to capitalism and its fantastic capacity to accumulate wealth, if for 'systemic' reasons Hegel could not have anticipated. 'The emergence of poverty is in general a consequence of civil society, and on the whole arises necessarily out of it. Poverty is a condition in civil society which is unhappy and forsaken on all sides. . . . From this condition arises that shamelessness that we find in the rabble. A rabble arises chiefly in a developed civil society' (Hegel 1991, p. 453, note to §244).

³⁶ Keynes CW VII, p. 31. The reasoning is as follows: the marginal propensity to consume is weaker in wealthy communities, and the inducement to invest is lower because the community already has a lot of capital, so interest rates have to adjust ('fall rapidly') to make the marginal efficiency of capital closer to r , and encourage productive capital-asset investment, as opposed to debt purchase or speculation (not that they are always separate).

Keynes thought *The General Theory* identified the workings of the 'delicate machine'. It solved the 'paradox of poverty in the midst of plenty' via the 'scarcity-theory' of capital. In other words, he argued, 'capital has to be kept scarce enough' that return on its investment will be deemed acceptable by capitalists. Capital must be 'kept scarce' to the point at which 'we' become sufficiently impoverished so as to make profitable investment worthwhile.³⁷ Arguing precisely the same 'stagnationist' point, Piketty puts it nicely: 'Too much capital kills capital'.³⁸

Keynes wondered: What then determines investors' judgments of acceptable rates of return? What makes investment seem worthwhile? His answer: The rate of interest. The idea that capitalists are interested in investment to make some material contribution to the world, or to be 'productive' in some honourable way, is a myth: it is a fundamental error, he wrote, to believe that capital is 'productive', or 'that the owner of wealth desires a capital-asset *as such*, . . . what he really desires is its *prospective yield*. . . . [T]here is always an alternative to the ownership of real capital-assets, namely the ownership of money and debts'.³⁹ Consequently, the expected return on investment, which Keynes called the 'marginal efficiency of capital' (*MEC*), cannot fall below the rate of interest. If it does, who will invest?

So, to make capital less scarce, to induce investment, interest rates must fall. Not because this renders borrowing less expensive, although that is helpful, but because we must regulate capitalist dynamics themselves, i.e. reduce the rate of return with which entrepreneurial investment must compete. Ultimately, Keynes said, the scarcity theory demonstrates that 'there are no intrinsic reasons for the scarcity of capital' in modern capitalism, and it is perfectly reasonable to expect to be capable 'of depriving capital of its scarcity-value within one or two generations'. There is no reason for us to be poor;

³⁷ Keynes CW VII, pp. 30, 215, 217. In other words, scarce enough to produce a rabble; the rabble is a product of the fallacy of composition inherent in competitive (a.k.a. 'individualistic') capitalism, and the condition in which it coalesces is the same conditions necessary for profit. The rabble is the 'unintended' consequence of the organization of life by the rule of value.

³⁸ Piketty 2013, p. 336.

³⁹ Keynes CW VII, p. 212.

indeed, 'it is to our best advantage to reduce the rate of interest to that point . . . at which there is full employment'.⁴⁰ Low interest rates are the essential precondition for economic bliss—not back-to-work programs, fiscal stimulus, tax cuts, unemployment insurance, etc.: these are not even mentioned.

This is his critique in a nutshell. The way capitalism works leaves some holding the short straw—i.e. with no means to make a living—and there is no guarantee that if they wait a little while, someone will come along and welcome them to the party. To keep the engine moving, these disequalizing mechanisms of economic disfranchisement must be mitigated in 'the social interest'. All the more 'technical' aspects of Keynes' economics—effective demand, propensities to consume, etc.—are functional pieces of this explanation.

The Keynesian Architecture of Piketty's *General Theory*

Piketty's general line of argument has been covered in such detail that I will only give a brief summary here, to isolate the ways in which its politics become more explicitly visible. At the outset, however, it is worth noting that the whole of his argument is couched in a pragmatic intuitionism much like Keynes' own epistemology. Piketty frequently emphasizes the applicability and accuracy of his assessments, relative to orthodox 'neoclassical' conclusions, with phrases like 'In practice, . . . ' or 'In reality, . . .'.⁴¹ He is also at pains to point out the all-pervasive radical uncertainty that Keynes also underscored. This uncertainty affects both our capacity to account for or anticipate the future, certainly, but it also means that that the quantities Piketty and other economists rely on are general indicators that can never capture all the forces that determine economic magnitudes: 'we must distrust all economic determinism on these questions: the history of the distribution of wealth is always a deeply political history, and can never be reduced to purely economic mechanisms'.⁴² Consequently, and despite his reliance on a vast trove of numerical data, he is as suspicious as Keynes of economics' mathematical 'fetish':

⁴⁰ Keynes CW VII, pp. 375-7.

⁴¹ e.g. Piketty 2013, pp. 266, 288, 319, 568, 769.

⁴² Piketty 2013, p. 47, cf. pp. 114, 145, 159, 272, 674.

The discipline of economics has never given up its infantile passion for mathematics and purely theoretical and often ideological speculation, to the detriment of historical research and a productive conversation with other social sciences. Too often, economists are obsessed with minor mathematical problems of interest to no one but themselves, and which grant them the appearance of scientificity and allow them to avoid answering other, more complicated questions posed by the world around them.⁴³

This pragmatism is of course itself a product of our historical condition. The current situation seems to demand a willingness to 'break the rules' to find a solution. 'Dogma', liberal or otherwise, is dismissed in the interests of getting things done. But in addition to suiting the crisis moment, it also provides the foundation for an analysis, like that of Keynes, that sets aside the minor details in favour of accurately capturing the general movements of capitalist market economies. Piketty's theory of that movement—the tendential laws of *laissez-faire*—is remarkably similar to that of Keynes. It too recalls the basically Hegelian model of a civil society containing the seeds of its own destruction in the form of poverty and disorder, even 'apocalypse'.

According to Piketty, the force behind this self-destructive tendency is the 'fundamental inequality' $r > g$, i.e. the return to capital r tends to be meaningfully higher than the overall growth rate g . If this inequality holds across most times and places—the *Trente Glorieuses* stand for Piketty as the exception that proves the rule—then 'wealth originating in the past is recapitalized faster than the progress of production and incomes. Those who inherit this capital thus need only save a limited part of the income from their capital for that capital to grow faster than the economy as a whole. In these conditions, it is almost inevitable that inherited wealth dominates wealth accumulated over the course of one's life, and that the concentration of capital reaches extreme levels, levels potentially incompatible with the ideals of meritocracy and principles of social justice that underpin our modern democratic societies'.⁴⁴

⁴³ e.g. Piketty 2013, pp. 156, 63, 103, 583, 769, 863.

⁴⁴ Piketty 2013, p. 55.

As we know, Keynes attributes the forces that threaten capitalist dynamism and accelerate inequality to insufficient inducement to productive (labour-utilizing) investment. The solution, he said, was to provide secure foundations for employment-producing investment by ensuring that the interest rate r (for terms comparable to those for investment) was lower than the expected return on capital (or, more specifically the marginal efficiency of capital, *MEC*). In other words, the objective was to create conditions in which a money-holder can earn higher yield funding entrepreneurship than buying debt. If this inequality is dependable, then entrepreneurs 'animal spirits' are activated, and money-holders have an incentive to lend them capital.

This fundamental causal mechanism is a proto-Pikettian inequality. *The General Theory's* theory of capitalism's long-term crisis tendency—only very slightly oversimplified—is that, in general, the structural determinants of the rate of interest tend to prevent it from falling low enough, for long enough, to guarantee that the expected return to productive investment will dominate returns from debt purchase. In other words, *MEC* is volatile enough, and r resists approaching zero sufficiently strongly, that frequently, $r > MEC$. Indeed, even during periods when $MEC > r$, the very fact that the relationship could so readily reverse increases uncertainty and liquidity-preference, thus precipitating precisely that which was feared—a 'flight to safety'. Furthermore, this condition is more likely in the downturn, making bad times worse. Just as for Piketty 'a global political community founded in justice and the common good' depends on a state-regulatory apparatus to ensure $g > r$, for Keynes, 'economic bliss' lies in the long-term stability of $MEC > r$, i.e. an animal spirits' playground.⁴⁵

The remarkable similarity between these two 'fundamental inequalities' is of course central to my account. Piketty's inequality is a reworking of the Keynesian inequality for the capitalist reason of the early twenty-first century. But before considering the ways in which they resonate with each other, we must confront two key differences in the dynamics they specify. These differences are formally significant, but upon closer

⁴⁵ Piketty 2013, p. 879.

inspection merely obscure deeper and more fundamental similarities.⁴⁶ The first of these concerns r . Although it is one side of both inequalities, r clearly indicates something quite different in each case. Keynes' r is the interest rate (or more specifically, 'the complex of rates of interest for debts of different terms and risks').⁴⁷ It 'equalises the advantages of holding actual cash and a deferred claim on cash'.⁴⁸

Piketty defines r as 'the rate of yield on capital (which is to say the annual return on average to capital in the form of profits, dividends, interest, rents and other sources as a percentage of its value)'. This is a much more vaguely-defined, catch-all variable. In fact, on *The General Theory*'s terms, Piketty's r is an awkward combination of both sides of Keynes' inequality, r and MEC , something like the (weighted?) average return available to capital via all yield-producing channels (Piketty is not a lot of help on this front). There is no distinction between, for example, buying sovereign debt (and earning Keynes' r) and investing in a new manufacturing concern (to enjoy Keynes' MEC). All yields from capital assets are collected in the homogeneous mass of 'return [*rendement*] to capital'.

The second difference is immediately evident in the light of the first. If r represents different phenomena in each inequality, then the two inequalities are not positing the same relation. Piketty's g is not a substitute for Keynes' MEC . Orthodox economics tacitly assumes that in the long run, the growth rate will equal some MEC -like measure. But for Keynes, g and MEC are distinct. In fact, his economic bliss entails a constant fall

⁴⁶ Here I set aside the fact that in contrast to Keynes' explicitly expectational definition of MEC , Piketty does not define g as a function of capital's expectations. His emphasis throughout on a radical Keynesian uncertainty suggests it is implied, and his belief that modern monetary policy can 'anchor perceptions, expectations and hierarchies in monetary benchmarks' (Piketty 2013, p. 179), while today associated with 'neoliberal' orthodoxy, is in fact a logical extension of Keynes' emphasis on the role of the state in maintaining the state of confidence. As Keynes said, money is 'above all, a subtle device for linking the present to the future . . . we cannot even begin to discuss the effect of changing expectations on current activities except in monetary terms' (Keynes CW VII, p. 294).

⁴⁷ Keynes CW VII, p. 207.

⁴⁸ Keynes CW XIV, p. 206.

in *MEC* toward zero, but consistent per capita growth. The feasibility of this utopia aside, Keynes' fundamental inequality cannot be easily adapted to modern growth accounting because his understanding of economic development is not captured by rising GDP. In contrast, Piketty adopts this standard measure of progress. Despite some brief nods to the fact that certain forms of development might boost aggregate income yet hinder 'real' progress (e.g. via increased carbon emissions), his conception of growth is thoroughly orthodox.

Consequently, while Keynes posits that, concerning the self-destructive dynamics immanent to free-market civil society, the crucial distinction lies in what wealth-holders do to extract yield (invest or buy debt), Piketty contends that this choice is not analytically important. This might seem a significant difference. Indeed it is, but it is largely a formal difference, a product of changed political economic circumstances that masks a fundamental similarity in political content. To see this, we need to position Piketty's r in its twenty-first century terrain. As noted above, his catch-all return to capital r collapses the distinction between the interest rate (yields from holding debt) and capital gains (profits, dividends, rent from landed capital, etc.). This is to suggest that when it comes to the returns to owning wealth or capital in any form, it is all the same thing: yield. Enjoying the yield from owning shares in a business that produces widgets, from rents extracted from tenants, or from coupon payments on sovereign debt: in the structure of the fundamental inequality that threatens capitalism, it is all the same.

This is definitively not a category neoclassical economics would endorse, because it reflects a very unorthodox conception of capital. Piketty defines capital as 'the set of nonhuman assets that can be owned and exchanged on the market', because 'all forms of capital always play a double role, in part as factor of production and in part as store of value'. Consequently—and this goes some way toward explaining the vague generality of r —'capital is not a fixed category: it reflects the state of development and the social relations that reign in a given society'.⁴⁹ Piketty is no radical, but there is wisdom here. In explicitly rejecting the marginalist fetish of 'productivity'—remember that in neoclassical

⁴⁹ Piketty 2013, pp. 82, 85, 84.

theory capital's share, like that of all other factors, is determined by its marginal productivity—Piketty not only dismisses the mainstream's orthodox faith in the natural justice of market-based distribution. He also resurrects for our own time a forgotten bit of Keynes' insight we would do well to remember.

Keynes too was troubled by the fetish of 'productivity'. In *The General Theory*, he attacks the significance it holds in marginalist thought. He attributes it to the mythology that what a wealth-owner wants to obtain with his or her money is a 'capital-asset *as such*'. This, he says, is patently untrue. The wealth-holder seeks only the capital-asset's expected yield. With productive equipment or enterprise, the objective is not the enjoyment of ownership and production, but monetary return—profit. If anticipated returns from investment seem too low or unpromising, 'there is always an alternative to the ownership of real capital-assets, namely the ownership of money and debts'.⁵⁰ As the fundamental Keynesian inequality states, if the rate of interest exceeds the marginal efficiency of capital and is high enough to counteract the 'fetish of liquidity', wealth-holders will choose the latter. Indeed, it is likely that even when the rate of interest is too low to satisfy liquidity preference, if the *MEC* is not sufficiently dominant, wealth-holders will simply choose to hoard.

Note that the question of productivity has no role in these investment decisions. An asset's productivity (i.e. its output per unit of input) has no more influence on its yield than the desire of wealth-owners to be wealthier. Productivity might factor into investment decisions, but productivity *per se* is not what attracts investment: '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*'.⁵¹ Capital's 'yield over time' has an entirely contingent relationship to its productivity (not to mention to the labour through which it was produced). Capital's yield—by which we should understand very specifically the returns to capital in the money-form of value—is determined, rather, by its scarcity, i.e. the extent to which there is some demand for its services in excess of its owner's. Indeed,

⁵⁰ Keynes *CW VII*, p. 212.

⁵¹ Keynes *CW VII*, p. 213.

it *must* be scarce because otherwise its yield would be too low to compete with the rate of interest on money. When a capital-asset like machinery is not scarce, it remains equally productive but yields much less, and therefore attracts much less investment demand.

If we return to Piketty, we can see in his embrace of a fluid definition of capital (all exchangeable nonhuman assets) an elaboration of Keynes' insight that the purpose of capital is the extraction of yield. Productivity—growth—is related to yield solely in a contingent manner. With capital, there is no necessary relationship between the two. Thus, Piketty's r is a vast catch-all because it is not the standard neoclassical measure of the return associated with capital's productivity (the justifiable earnings due its contribution to the production process), but rather a measure of the yield capital enjoys or extracts. (Compared to the common English phrase 'return to capital'—which carries with it all sorts of meritocratic ideological baggage—'yield to capital' or 'capital's yield' sounds awkward, but each is probably a more accurate translation of Piketty's term '*rendement de capital*').

All of which is to say that for both Keynes and Piketty, the fundamental purpose of r is to specify *rent* (perhaps this is why it is ' r '), i.e. income that 'rewards the simple fact of ownership of capital, independent of any labour'—in Keynes' words, 'what used to be called unearned income, and is now called investment income'.⁵² The purpose of Keynes' distinction between *MEC* and r is to distinguish between the entrepreneur—the hero of the *General Theory*—and the 'rentier', the book's anti-hero, whose 'euthanasia' is necessary to human progress.⁵³ In Keynes' day, the difference between these 'productive' and 'unproductive' modes of capitalist being seemed relatively unproblematic, even common sense. The scent of aristocracy still hung in the air. In the midst of the globalized and financialized capitalism of which Piketty writes, this difference is no longer meaningful. While he recognizes the non-trivial magnitude of income derived from 'entrepreneurial labour', Piketty nevertheless refuses to grant it anything more than

⁵² Piketty 2013, p. 672; Keynes CW XIX part 2, p. 846.

⁵³ Keynes himself, along with most of his friends, was of course a rentier. Perhaps this is why he chose 'euthanasia' over 'execution' or 'assassination'.

the minor role it deserves. Capital, he says, 'is always risky and entrepreneurial, especially in its early stages; and at the same time it tends always to transform itself into rent so as to accumulate without limit—this is its vocation, its logical destiny'.⁵⁴ The 'real economy' is increasingly financialized and securitized, the difference (if it ever existed) between 'real' capital and 'fictitious' capital has vanished, and the entrepreneur becomes rentier:

The general lesson of my investigation is that the dynamic evolution of an economy based in markets and private property, left to itself, contains important internal forces that tend toward convergence, particularly those linked to the diffusion of knowledge and skills. But it also contains powerful forces that produce divergence, forces that pose potential threats to our democratic societies and the values of social justice on which they are founded. The principal destabilizing force has to do with the fact that the private rate of return on capital, r , can be significantly higher for long periods of time than the rate of growth of income and output, g . The inequality $r > g$ implies that wealth accumulated in the past grows more rapidly than output and wages. This inequality expresses a fundamental logical contradiction. The entrepreneur tends inevitably to transform him or herself into a rentier, and to dominate more and more completely those who possess nothing but their labour. Once established, capital reproduces itself, more rapidly than the growth of production. The past devours the future. The consequences for the long-term dynamics of wealth distribution are potentially terrifying The problem does not admit of a simple solution.⁵⁵

Hence the need for a revised r to meet the needs of a renovated, but no less anxious, Keynesian political economy. The stakes are terrifyingly high.

Rent, Capital and Regulation

I see, therefore, the rentier aspect of capitalism as a transitional phase which will disappear when it has done its work. And with the disappearance of its rentier aspect much else in it besides will suffer a sea-change. It will be, moreover, a great advantage of the order of events which I am advocating, that the euthanasia of the rentier, of the functionless investor, will be nothing sudden, merely a gradual but prolonged continuance of what we have seen recently in Great Britain, and will need no revolution.⁵⁶

One of Piketty's most powerful empirical claims is that Keynes' forecast of the death of rent was only temporarily correct, and has, in the longer run, been totally and completely

⁵⁴ Piketty 2013, p. 187.

⁵⁵ Piketty 2013, p. 942.

⁵⁶ Keynes CW VII, p. 376.

mistaken.⁵⁷ But clearly, like Keynes, he understands the suppression of the rentier and of capital's tendency to rentification as the only 'politically acceptable conclusion'.

Moreover, and in this he also follows Keynes, he takes the given technical and institutional conditions of modern capitalism to be virtually fixed in the short-term, or at least relatively immune to the effects non-revolutionary power and policy. There is little the state can do to alter g or MEC . Regulations that suppress r are the only feasible option.

[W]hen Keynes wrote in 1936 of the 'euthanasia of the rentier', he was just as deeply marked by what he observed going on around him: the world of the rentiers that preceded World War I was collapsing, and there was in fact no other politically acceptable solution to the ongoing budget and economic crises. In particular, Keynes knew very well that inflation, which the UK would only accept reluctantly, so strong was the attachment to the gold standard in the conservative climate before the war, was the simplest—if not necessarily the most just—way to reduce the burden of public debt and accumulated capital.⁵⁸

Since his r is the interest rate, Keynes proposes a primarily monetary strategy to this end. This might sound like a reassertion of the *Treatise*'s 'magic formula': cheap money. But with the *General Theory*, Keynes identifies the reason why mechanically lowering interest rates by *fiat* only deals with the superficial aspects of the problem. As the depths of the Depression demonstrated, lowering interest rates cannot guarantee a response from entrepreneurs. The deeper issue is uncertainty. If uncertainty can be subdued, then not only will interest rates fall, but entrepreneurial 'animal spirits'—the urge to invest and take risks—will rise, liquidity-preference will fall, consumption will increase and effective demand will rise. From a Keynesian perspective, this is a virtuous circle.

The most expedient way to reduce uncertainty regarding the future is to introduce as much predictability as possible into capital, goods, and labour markets. If people feel like things are unlikely to oscillate, liquidity-preference falls and they are more likely to put their money into market circulation. Indeed, the common medium, the 'blood', of these markets is money, and for Keynes, money makes all the difference. It is the general equivalent, the store and expression of value across time and space. The highest policy priority in a Keynesian monetary economy is to manage the link between the future and

⁵⁷ Piketty 2013, pp. 565, 675.

⁵⁸ Piketty 2013, p. 215.

the present, so as to render it as stable as possible, and money is 'above all, a subtle device for linking the present to the future . . . we cannot even begin to discuss the effect of changing expectations on current activities except in monetary terms'.⁵⁹

Piketty's r demands a different approach, for which interest rate-focused policies are inadequate, particularly in a very un-Keynesian context of global flows and international deregulatory competition between states. His solution targets r just as specifically, but takes the form of a global tax on capital. It is perhaps unsurprising, if my argument holds, that although Keynes would have been unprepared for we now reference with the term 'global', he also advocated a tax on capital at various points in his career, and for the same reasons as Piketty.⁶⁰ Indeed, he too argued that if the technical or institutional challenges could be overcome (and they were 'not unworkable'), it was 'the best solution' in certain crises.⁶¹ In both cases, however, the concern with regulating r is its impact on future economic potential, in particular because 'the inequality $r > g$ means that the past tends to devour the future'.⁶²

Establishing confidence in the future, in the shadow of a menacing present and increasing political economic and ecological anxiety, is about as daunting a task as one can imagine. Piketty is adamant that capitalist civil society is not certain to produce the Hobbesian states of nature, reactionary fascisms or totalitarian 'communist' regimes that loom on the

⁵⁹ Keynes CW VII, p. 294. The means to this end are: (1) skilled management of the rate of interest, which determines, for all intents and purposes, the terms upon which the present investment opportunities must compete with the future; (2) when necessary, state spending to maintain a stable or steadily increasing level of aggregate demand; and (3) as low inflation as is practically possible without too much disruption of the labour market, since it lowers the value of real wages, discourages investment, and can lead to vicious inflationary spirals.

⁶⁰ When asked 'Would you on general grounds be in favour of any kind of tax on capital?', Keynes responded: 'The best way of doing that is by increasing the income tax on 'investment income'. . . . I believe that, if you want to relieve current effort and to tax more heavily past accumulation, the way to do that is to increase the tax on what used to be called unearned income, and is now called investment income' (CW XIX part 2, p. 846; cf. XVII, p. 359; XVIII, p. 72).

⁶¹ Keynes CW XIX part 2, p. 841; XVIII, p. 72.

⁶² Piketty 2013, pp. 840, 600.

horizon; these are only some of our possible futures (which also include an 'ideal society?' briefly referenced in Table 7.2).⁶³ But, as he says, 'if the tendencies observed in the period 1970-2010 were to continue until 2050 or 2100, we will approach social, political and economic disequilibria of such magnitude, both within and between countries, that it is hard not to think of the Ricardian apocalypse'.⁶⁴

For Piketty and Keynes, the key is somehow to save capitalist civilization while effectively ridding it of the very principle both know is essential to it, Ricardo's principle: scarcity, and the rent it provides those who benefit from it. Scarcity is the origin of yield, the very basis of capital as a social relation, as an asset, and as a class. Of course, radical thinkers have emphasized this feature of capitalism for centuries. But Keynes and Piketty distinguish themselves among liberal economists because they suggest profound, if immanent (i.e. 'reformist', I suppose) means by which to acknowledge and manage this tendency. Each of them go out of their way to point out that they are in no way 'against' inequality, just against inequalities 'being so great as at present'.⁶⁵

For both of them, the key is to debunk the myth that capitalist civil society *qua* 'the market' contains the solutions to its own problems, thereby reasserting the priority of the 'social interest' in whose name the 'democratic' state acts. The Fordist-Keynesian state built on the foundations of 'the economics of Keynes'—less social safety net, and more low long-term interest rates, capital controls, and an income distribution protected by long-term contracts—in many way achieved this to a remarkable extent.

This ideological, political and economic entangling, via what Negri calls the post-war 'planner state', realized the political economic potential of liberalism to a greater extent than classical liberalism itself ever did or could.⁶⁶ It did so by producing a political

⁶³ Piketty 2013, pp. 56, 391.

⁶⁴ Piketty 2013, p. 23.

⁶⁵ Keynes CW VII, p. 374; Piketty 2013, p. 44: 'Inequality is not necessarily inherently evil: the central question is to know if it is justified, if it has sufficient reasons'.

⁶⁶ Which is to say that neoliberalism was made possible by the 'passage' through Keynesianism.

condition in which the state and civil society (i.e. private markets involving firms and consumers) were understood as partners in a hegemonic 'social interest'—one that paradoxically provided the essentially 'solidaristic' foundation without which the neoliberal 'counter-revolution' would have had no political legitimacy. The political implications of something like the Volcker shock of the late 1970s would have been unthinkable without the persistence of Keynesian ideological foundations.⁶⁷ Keynes and Piketty emphasize the social interest, but this is just as well understood as a proposition that collective welfare is important precisely because it serves individual interest. As Keynes said himself, 'Marxists are ready to sacrifice the political liberties of individuals in order to change the existing economic order. So are Fascists and Nazis . . . My own aim is economic reform by the methods of political liberalism'.⁶⁸ I would suggest that if one understands the 'rabble' as the greatest threat to individual liberty, then this makes a lot of sense.

Ultimately, the Keynesian problem Piketty has re-posed for liberals concerns one essential thing: politically sustainable wealth and privilege.⁶⁹ The problem that Keynes struggled with, and Piketty confronts again today, is that rent and the rentier give wealth and privilege a bad name, and tend constantly to produce levels of inequality for which 'acceptance is hardly dependable or likely to last'.⁷⁰ The rentier is the 'enemy of democracy'; rent 'the enemy of modern rationality'.⁷¹ Keynes was thus obsessed with the

⁶⁷ Arguably, this ideological work is another way in which World War II made Keynesianism work.

⁶⁸ Keynes *CW* XXVIII, p. 28.

⁶⁹ 'By proper use of monetary and fiscal policies, nations today can successfully fight off the plague of mass unemployment and the plague of inflation. With reasonably stable full employment a feasible goal, the modern economist can use a 'neoclassical synthesis' based on a combination of the modern [i.e. Keynesian] principles of income determination and the classical truths. Paradoxically, successful application of the principles of income determination does result in a piercing of the monetary veil masking real conditions, does dissipate the topsy-turvy clashes between the whole and the part that gave rise to countless fallacies of composition, and does finally validate the important classical truths and vanquish the paradox of abortive thrift. . . . Our mixed economy—wars aside—has a great future before it' (Samuelson 1955, pp. 590, 809).

⁷⁰ Piketty 2013, p. 566, cf. p. 414.

⁷¹ Piketty 2013, pp. 671, 673.

legitimacy of the social order, including its inequalities. He was particularly concerned with the persistence of levels of unemployment 'so intolerably below [full employment] as to provoke revolutionary changes'.⁷² He attempted to address this legitimization crisis by isolating a clean, meritorious productive mode of capital from its parasitic sibling. The problem was the residue of rentier capitalism in the modern economy, and with proper state-technocratic care, it would eradicate itself; good capital was sure to follow bad.

Piketty faces a much trickier 'actually existing' capitalism, and he does so boldly, in a way it is hard not to admire at times. He recognizes that any proposed rentier/capitalist distinction is simultaneously untenable at a general level, and evanescent in any given instance—profit tends to become rent, the entrepreneur becomes rentier. Indeed, he remarks, '[a]ll wealth is partly justified and potentially excessive at the same time. Theft pure and simple is rare, as is absolute merit'.⁷³ Without recourse to the celebration of an untainted realm of accumulation, however, Piketty faces a much more difficult task—one that has forced him, arguably, to ask more of capital than Keynes (at least in monetary terms), in the form of a minimal tax on global capital.

The conservative response to this demand has been as stupid and laughably predictable as the reactions to *The General Theory* in its time: that it is 'socialist', 'Marxist', 'double taxation', an attack on property and so forth. It is so far from any of these it is almost funny. What it is, 'undoubtedly' (to use one of Piketty's favourite phrases), is an attempt to recreate a Keynesian 'social interest' and re-forge a Keynesian state-civil society alliance, however illusory these social dynamics may or may not have been in reality. 'One might simply note', Piketty remarks, that 'there is a massive chasm between the victorious declarations of responsible politicians and what they are really doing. This is extremely worrying for the equilibrium of our democratic societies'.⁷⁴ The task is not to get rid of inequality in wealth or income, or to reinvigorate the socialist state, but to rebuild the legitimacy of liberal capitalism in the twenty-first century. 'We must insist on

⁷² Keynes CW VII, p. 308.

⁷³ Piketty 2013, p. 709.

⁷⁴ Piketty 2013, p. 848.

this point: the central question concerns the justification of inequality, even more than its particular level'.⁷⁵ This is a twisted, but eminently rational, realization of the Declaration of the Rights of Man and Citizen of 1789, a document to which Piketty explicitly links his efforts throughout his book.⁷⁶

Economics, Science, and the Lure of a Revolution without Revolution

In fact, this link to revolutionary aspiration is neither superficial nor entirely accidental. Keynes and Piketty are both caught up in a quasi-utopian effort to construct a state-civil society equivalence—even an indistinguishability or unity—that is fundamental to, if differently inflected in, a wide range of left thinking: from Marx and Engels' early ideas about communism, to Proudhon's mutualism, to Gramsci's integral state, and to Habermas' more 'social democratic' aspirations.⁷⁷ Consequently, contemporary kneejerk Keynesianism on the centre and left—undoubtedly a major factor in the eager embrace of Piketty—is not merely a last-resort default, as if the desperate attempts to fend off free market imperialism have simply made an otherwise unacceptable Keynesianism comparatively attractive. It is also the case that at a vital ideological level, the anxious political economy quaking beneath *The General Theory* and *Capital au XXI^e siècle* resonates with many if not most 'progressive' economic ideas currently in circulation in the global North.

The problem, however, is that it also resonates with other, less emancipatory alternatives, like Schmitt's 'total state', or even the 'market-based' non-capitalist system Arrighi identifies in modern China.⁷⁸ Indeed, Keynes was impressed by the Nazi state's economic achievements, which seemed to capture the way in which a radical shift in the popular understanding of the relation between state and civil society demonstrated that 'there are no intrinsic reasons for the scarcity of capital', and exploded the belief that we must 'keep ourselves poor'. But these pressing *political* complexities at the heart of Keynesianism are

⁷⁵ Piketty 2013, p. 415.

⁷⁶ Piketty 2013, p. 63, 672.

⁷⁷ 'Democracy is the genus Constitution. . . . Democracy is content and form' (Marx 1973a, p. 29.)

⁷⁸ Schmitt 1999; Arrighi 2007.

often suppressed by 'progressives' in favour of attacks on the *analytical* merits of competing economic models.⁷⁹ Hence the endless excoriation of orthodox or 'neoclassical' economics as somehow the ultimate source or legitimizing theory of neoliberalism.

Centrists, Marxists, and everyone in between constantly bemoan the ridiculous bases of modern economics: the assumptions about *homo æconomicus*, the perfect rationality and information requirements, the methodological individualism, all of which, we are told, are not only wrong, but a deceitful disservice to the richness of human life, motivation, and potential. This is all true. But the complaints are disingenuous. For it is not clear that orthodox analysis would be the object of such scorn if its conclusions were not anathema to progressives' admittedly dynamic, diverse and often unclear political goals.

On essentially positivist grounds—i.e. the relative 'truthfulness' of this or that economic account—the turn to Keynes is 'common sense', since his economics is clearly a more accurate description of the *capitalist* order in which we 'actually live'.⁸⁰ Keynes really was, it seems, objectively more correct, which 'progressives' hold out as 'proof' of, a reason for, their opposition to the market-order. But in the end, attacking economics' *science*—berating its methods, debating its models, disproving its behavioural assumptions, and so forth—is a substitute, and not a very good one, for attacking its politics.

Of course, the politics of what gets called 'neoclassical' economics lies to a significant extent in its avowedly apolitical quality. It embraces the scientific posture of objectivity, thereby asserting not so much the 'naturalness' of the status quo—for it is certainly recognized that it could be otherwise—but the naturalness of the human propensities that produce it. The claim is that these human propensities are turned to greatest collective advantage, or given least destructive form, by 'free markets'. In other words, beneath the Smithian fundamentals, the liberal justification for the pursuit of individual self-interest is

⁷⁹ Moreover, while these models serve as tools of economic or policy 'analysis', they are nonetheless always social theories.

⁸⁰ Eatwell and Milgate 2011.

ultimately that it ensures *collective* well-being—what we might call a socially responsible self-interest. Which is to say that even though humans are naturally selfish, what recommends selfishness is not individual benefit, but its social contribution: 'It is summed up in the phrase: the bourgeois is a bourgeois—for the benefit of the working class.'⁸¹

Moreover, if shackling the individual pursuit of self-interest is bad not only because it limits collective well-being, but also because it suppresses 'human nature', then the implicit claim is that suppressing 'human nature' is somehow going to result in people blowing some psychosocial valve, and doing bad things. In other words, the neoclassical or orthodox position holds either that human nature is by definition a 'good' to be nurtured—and it is therefore wrong to suppress it—or human nature is an immutable truth that, if unduly constrained, will produce 'perverse' outcomes we will regret.

Keynes and Piketty agree with much of this. They are terrified we might blow the hydraulic social valve. Indeed, Keynes and Piketty make exactly the same kind of claims to depoliticized scientific truth as 'neoclassical' economists—remember that it is called the *General Theory* to recall another general theory, and *Capital au XXI^e siècle* claims to reveal the 'fundamental laws' of capitalism. Like all critics of (neo)liberalism, they also make claims about the social conditions in which humans best flourish, or about the ill that comes from suppressing natural human needs or desires. And, if we are honest, on the *scientific* basis we prioritize in our dismissal of their 'unrealistic' theories there is not a whole lot of evidence that progressive claims are any more obviously 'true' than those that frame classical and neoclassical economics. One could even argue that 'progressives' implicit theory of human motivation is not that different than the self-interested optimizer so frequently ridiculed by the left. It is worth recalling that much of the political paralysis of the Bush era was founded in a progressive inability to understand, as Thomas Frank put it, 'What's the matter with Kansas?' Why would the poorest state in the US vote for Republicans who would only further impoverish them? Why didn't the poor and

⁸¹ Marx and Engels 2010, p. 94. See Arendt on the 'communistic fiction' at the heart of 'liberal economics' (1958, pp. 43-4, 44 note 36; cf. Myrdal 1953).

disenfranchised 'act in their interests'?⁸² The expectation or demand that they throw off the capitalist burden, or even to Occupy Wall Street, is founded on the claim that it is not only in their collective interest, but in their individual self-interest as well. The argument is basically that, contrary to the classical sages' vision that self-interest is the means to collective benefit, collective well-being is the path to self-interest. A socially responsible self-interest versus an effectively self-interested social responsibility.

One way to get out of this—which would involve abandoning any claim to an economics devoid of politics, an act of disciplinary treason of which Piketty is constantly accused—is to admit that 'human nature', like capital, is a product of its time and place, and to assert, on political rather than scientific grounds, what a better 'human nature' would be, and why. But any program to remake human nature has a pretty nasty set of political predecessors. This, ultimately, is where the appeal of Keynes and Piketty lies. They tell us that, with proper stewardship and appropriate institutions, 'human nature' is basically good enough, and that, in conditions of reasonable social justice, it will do reasonably good things.⁸³ Without adopting the idea that we are all rational, self-interested, instrumental optimizers, we can therefore stick to the terrain of science, and disavow the realm of pure 'politics'—the realm in which we might remake 'human nature', and a realm which was the basis of many totalitarian projects.⁸⁴

In other words, Keynes and Piketty tell us that the answers are ultimately not political but technical. That the right science can manage the community so that we never have to turn to politics. There are very good reasons why this message is so appealing, not just to worried liberals but to many on the left. For the rabble and disorder Keynes and Piketty fear is not revolutionary democratic transformation, or egalitarian redistribution. They are not trying to suppress the emergence of the common, the multitude, or the 'truth' of the working class *qua* political consciousness of collective freedom. Right or wrong, they

⁸² Frank 2004.

⁸³ '[T]he important point is that one can hope that democratic deliberation in general leads in the direction of common sense [*bon sens*]' (Piketty 2013, p. 878).

⁸⁴ For which the economy was to be not so much an object of governance as an instrument of transformation.

fear lynch-mobs, *Kristallnacht*, neighbor-informers, religious fundamentalists, the Tea Party. This is what many progressives fear too, because they have absorbed the same lessons as those they claim to oppose: don't trust the masses. The twentieth century taught us what the rabble can do. That is why Keynes is embraced so warmly in every moment of capitalist crisis, and why Piketty has been given the mantle of knight in shining armour. He has come to subdue the rabble dragon without shedding any blood. But, just as with Keynes eighty years ago, it is the existential anxiety at the heart of liberalism that sent him on his quest.

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