COMMENTARY SYMPOSIUM

No New Deal is possible

Antonio Negri

John Maynard Keynes was a gentleman – that is, an honest bourgeois, not a petty-bourgeois like Proudhon, or an ideologue, but an easy man – and when political economy was still concerned with the political ordering of market and society every classical economist knew this. Keynes thought that knowledge functioned factually and that, in the culture of pragmatism, a teleological *dispositif* needed to be brought into the analysis of series of phenomena and their assemblage; that by organizing the order of facts one could cautiously and efficiently construct the order of reason. In his case, this *dispositif* consisted in securing the reproduction of the capitalist system.

In Keynes's times economic science was not that horrid little mathematical device that all variants of financial adventurism and derivations of rent now have at their disposal. Now we know what happens when this mathematization ends up in the hands of dodgers' individualism… This is not to say that mathematics has nothing to do with economics or other disciplines; quite the opposite: it can be useful and productive for political economy, but at a completely different level. One instance is where neo-Keynsianism resulted from the encounter between socialist planners in the Soviet Union (or the liberal planners of the New Deal) and the mathematicians of market rationalization invented by Léon Walras. But for Keynes and his contemporaries the relationship between reason and reality was still entirely political: capital still sought clarity for itself.

Keynes entered the scene of economic science and the political field of the critique of political economy at the end of World War I, as a member of the British delegation at the Conference of Versailles. Shocked by the stupidity of the politicians who wanted to crush Germany with further impoverishment, he stated in *The Economic Consequences of Peace*: 'Vengeance, I dare predict, will not limp.' In 1919 – witness to the folly of elites who, engaged in reshaping the postwar order in fear of the powerful appeal of Red October, tried to apply the methods of classical imperialism inside Europe – Keynes already warned against 'that final civil war between the forces of Reaction and the despairing convulsions of Revolution, before which the horrors of the late German war will fade into nothing, and which will destroy, whoever is victor, the civilization and the progress of our generation'. He realized that the Russian Revolution had completely changed the political economy of capitalism, the market was definitively broken, and that 'one divided into two' (as a Communist leader would later say).

The fact that capitalist development was traversed and prefigured by class struggle and its movements had to be acknowledged, and Keynes expressed a first sign of this realization when he wrote: 'Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency.… Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society.' So he scientifically tackled this political problem: how to use currency and finance to defeat communism. On Keynes's trail this became the main question of political economy for the whole of the twentieth century.

RETURN TO KEYNES?

Keynes's communism of capital

Keynes believed in the virtues of finance; he even had an equivocal relationship with the Stock Exchange until he got kicked in the teeth – as often happens even to the most adept. (I disagree here with his biographer Harrod, who claimed that Keynes had financial speculation in his heart.) From Keynes's realistic point of view, the virtue of finance was that it was the beating heart of capitalism. Keynes subverted the old moralist conceptions that, from the Middle Ages to Hilferding, had downplayed and disqualified the hegemony of money in the production of wealth and the reproduction of social order. Against them, Keynes claimed that financial markets functioned as wealth multipliers. Can this theoretical assumption still be valid in a period of economic crisis? 'Of course it can', he asserted from his position in the middle of the crisis that started in the 1920s and assumed gigantic proportions by the end of the same decade. The state will have to intervene in society and reorganize it productively: 'Thus it is to our best advantage to reduce the rate of interest to that point relatively to the schedule of the marginal efficiency of capital at which there is full employment.'[1]

This was how the entire therapeutic cookbook of Keynsianism emerged out of the crisis that kept affecting development. In building a new model of equilibrium whilst being pragmatic and keeping the continuous lack of equilibrium in mind, Keynes proposed to determine a persisting imbalance of state initiative through *deficit spending*. However, this deficit created new margins for effective demand and aided the development of capitalist dynamics whilst accepting the severe rigidity in workers' wages. This was the way class struggle got reabsorbed into the system of capital.

Keynes's proposal was wholly progressivist. He fully recognized it when, in the negotiations leading to the establishment of the Bretton Woods system of international monetary relations, he faced the opposition of the conservative representatives of Washington who were not willing to allow the currency of reference to forget a real *standard*, as this *standard* was the dollar that functioned as a means to organize labour and its international division based on the accumulation of gold in the US Central Bank. For them, *deficit spending* – which each capitalist and national government could have advanced so as to progressively contain the movements of its national working class, who sought to change society and break the capitalist yoke – needed to be controlled by a capitalist centre, the Komintern of Wall Street. Farewell to the illusion of *bancor*, Keynes's great invention, an ideal currency based on free exchange that could have given way to the establishment of different equilibriums that referred to the desires of populations and the intensity of the struggle of the organized working class…

Keynes was a serious capitalist: he knew that with reaction and revolution, on the one hand, and an established socialist power, on the other, there was no third way of defending capitalist interests, only a more advanced political synthesis. Deriding the 'hegemony of real production', Keynes believed that when confronted with production – production here as 'civil society' – finance could become the mediation of opposing class interests, the construction of a new model of capitalism. Against Bolshevism Keynes refuted the slogan 'Power to the workers' and its corollary legitimization 'he who will not work shall not eat'.[2] He also realized that socialism and communism went beyond the prospects of constructing a new order of labour and these primitive watchwords and banal political objectives. According to Keynes, communism could represent the totality of abstract labour extracted from the totality of workers in society, every citizen, and hence all socialized human beings. Accepting these paradoxical exclamations, we could now say that communism is the form of the 'biopolitical', intending by 'biopolitical' the fact that not only society but also life has been put to the work of commodity production and that not only social relations but the relationship between minds and bodies have been made productive. With great foresight, Keynes seems to have understood the advent of what we now call 'the communism of capital'.

Keynes wished to contain class struggle within the rules of a society where the exploitation of labour was directed not simply towards the production of profit but also towards progress in the satisfaction of needs. We can understand how strong was his hatred for the rentier! Keynes thought that anyone willing to save the capitalist system must hope for the 'euthanasia of the rentier', and he saw this as a morally legitimate and politically urgent task, because the rentier is anarchic, selfish, and exploits the possession of land and estates, metropolitan spaces, as well as the labour that surrounds them and keeps valorizing them. The rentier spends nothing in the game; he earns without working and wins without fighting. This squalid exploiter has to be eliminated. And here he reached the highest point of the capitalist intelligence that spent the twentieth century trying to understand its enemy in class struggle.

Fighting for basic income

Allow me a smile at this point. Keynes looks like a subversive genius, in view of the centrality of rent to the post-industrial system of organization of contemporary capital. Today no political leader or economic thinker has the courage to attack rent.… All we see are moralistic sweeps against the obvious thieves and corruptors of banking credit systems. But who is attacking the habitual and surreptitious thieves, the rentiers who are worse than the usurers? Who will ever bring into the frame the sacred, both real and symbolic, foundation of every form of property? Keynes tried, to no avail, but at least he tried…

The attack on rent was certainly the highlight of Keynes's political discourse but also the point where the illusory character of his reasoning becomes manifest. In fact, as he developed his progressivist discourse aimed at salvaging capitalism, Keynes too often forgot the preconditions on which it rested. Two preconditions were insuperable and, in his view, beyond doubt: one was that colonial power, as an accomplished fact and a tendency, had finally consolidated; the other was that the form assumed by the organization of class relations in trade unions and the social welfare infrastructure in Europe was definitive. The difficulty with presenting Keynesianism as the dominant theory of development between the second half of the twentieth century and the beginning of the twenty-first century derives from the massive transformations of labour, class composition and the geopolitical dimensions of class struggle. From this perspective, from the turn of our century, Keynes is no more than an event, an intellectual flash of intuition of the twentieth century, at the endpoint of the long crisis of Western capitalism. His response to the Soviet revolution was adequate and representative of the hegemonic urge to bring class struggle under the control and development of capital, but no more than that. It failed to account for the global extension of class struggle, the end of colonialism, and, above all, the exhaustion of the ability of capital to transform modes of exploitation and accumulation in the First World. Look at what happened after Keynes: the revolution advanced through the underdeveloped world preventing capital from governing with the instruments of classical colonialism; dependency gave way to interdependency; capital won by globalizing and unifying itself, but at the same time it also lost, because the old order was certainly destroyed and building a new one is a hard task. That is why it is impossible to recuperate Keynes today.

The reason is easy to explain: the Keynesian New Deal was the outcome of an institutional configuration based on three essential prerequisites: a nation-state capable of independently developing national economic policies; the ability to measure profits and wages inside a relation of redistribution that is democratically accepted; and industrial relations that allow for a dialectics between the interests of the enterprise and the movements and demands of the working class that can be agreed upon in a legal framework. None of these prerequisites exists in the present circumstances of political economy.

The nation-state is in crisis because of the processes of internationalization of production and financial globalization, which are the grounds for a definition of a supranational imperial power. Furthermore, the dynamics of productivity increasingly tend to depend on immaterial production and the involvement of human and cognitive faculties that are hard to measure by traditional criteria, so social productivity makes it impossible to ground the regulation of wages on the relationship to productivity. The crisis of the trade unions is, from this perspective, exemplary – albeit not definitive – of the development of contemporary capitalism. And so when we come to the crisis of contractual relations, all the subjects of Keynesian agreements are absent. Moreover, the only thing capitalist interests share is the pursuit of short-term profit, first, and the radical exploitation of the chances for enjoying rent from land, estate and services, second. All of this makes it practically impossible to formulate progressive reforms.

As a result, there is no room for any institutional policy of reform in contemporary capitalism. The structural instability of capitalism is definitive, no New Deal is possible. If we really want to make the effort of resurrecting Keynes, we should direct his *deficit spending* – his idea of the socialization of investments – towards the institutions of *basic income* and towards policies that anticipate new forms of development and organize the fiscal structure of the state in relation to the global productivity of the system – that is, the productive power of all citizens. By doing so we would probably move beyond the measures and anthropological requirements of a capitalist society, especially well beyond the ideologies of individualism (of property and patrimony) and the political consequences of its development. *Basic income* is more than a wage; it is the recognition of the exploitation that affects not only workers but everyone who is available to capitalist organization in society. Fighting for a basic income and recognizing this reality already signals a move beyond the image of capitalist ownership. *One has divided into two*: whilst Keynes incessantly worked to close this division and redirect all social struggles to the One, in a Hobbesian way, today sees the opening of this division and of struggles. A season of class struggle is probably flourishing. Keynes loved dance (he married a dancer), not flowers (he was allergic to them).

Translated by Arianna Bove

Notes

1. *The General Theory of Employment, Interest and Money*, 1936, ch. 24.
2. The saying ‘Qui non laborat, non manducet’ originally appeared in the Bible, 2 Thessalonians, 3. It notably recurred in Jeremy Bentham’s (1797) *Writings on the Poor Laws* as the ‘No work – no eat principle’. In other languages it appears as ‘No mill, no meal’, ‘Il faut travailler, qui veut manger’ (Fr.), ‘Wer nicht arbeitet, soll auch nicht essen’ (Ger.), ‘Chi non lavora non mangia’ (Ital.), ‘El que no trabaja, no come’ (Sp.) [*Trans*.].

Keynesianism constrained

Jim Tomlinson

The current economic crisis has reignited a debate about Keynesianism that many had thought only of historical interest. This commentary suggests that the revival of Keynesianism undermines a key assumption of almost all accounts of postwar capitalism, namely that it can be fundamentally divided into a 'Keynesian' and a 'post-Keynesian' period.

Keynesianism is taken here to mean the use by national governments of their taxing and spending power to alter the overall level of economic activity. Across the developed world national governments are pursuing expansionary fiscal policies, and accumulating public deficits, as part of their attempts to limit the recessionary impact of the banking crisis. While there is much debate about the precise shape of such packages, almost all countries have some measures of this character planned or enacted. A few voices have raised concerns about the long-term impact of such packages, but they have been ineffective against the compelling need felt by most governments to be seen to be using all possible instruments to stave off economic collapse.

These events clearly contradict the narrative of economic policy developments which sees Keynesian policies as a product of the middle years of the twentieth century, ideologically challenged and then comprehensively defeated by monetarism and neoliberal economics from the 1970s onwards. For many commentators this ideological shift was in turn rooted in a transformation of the productive character of capitalist economies, so the 'end of Keynesianism' reflected not just ideological defeat for the centre-Left, but a profound transformation in the nature of capitalist economies. For this narrative, the revival of Keynesian policies in the early twenty-first century appears incomprehensible. There has been no sustained ideological challenge to the predominance of neoliberalism, nor an identified shift back to the economic structure that is purported to have been the material base for the earlier phase of Keynesianism. Clearly that narrative needs to be revised.

Perhaps the best place to start that revision is to ask the simple question, what are the conditions of existence of Keynesian policies?[1]

Big government

The most important of these conditions is the existence of big government. If manipulations of spending and taxation are to make a significant difference they must be a large part of national income. While Keynesianism did not *cause* the rise of big government in the twentieth century, its effectiveness was predicated on that rise. That connection is, of course, why conservatives have always been at best wary if not hostile to Keynesianism, notwithstanding that Keynes's own political project was to save liberal capitalism.

Challenges to Keynesianism from the 1970s were very much associated with attacks on contemporary levels of public spending and taxation, with allegations of an overmighty and inefficient state. The result of these attacks in most Western countries was an end to the rapid rise in the size of the public sector which characterized the

1960s and early 1970s. The 'fiscal crisis of the state' is undoubtedly central to the weakening of Keynesianism under the Thatcher and Reagan governments and later in other Western countries. But that 'rolling back' of the state had clear limits. Across the OECD world the story of the last three decades is not one of inexorable state retrenchment, but of a break in the expansionary trend in the 1970s, followed by stabilization, and latterly renewed expansion in some countries.

Here we need to distinguish between the ideological battle – where belief in the efficacy of government action has undoubtedly been on the defensive across the Western world for most of the last four decades – and government action, which has been driven by electorally powerful forces towards higher spending, notably ageing populations, and the 'revolution of rising expectations' in popular understanding about physical and mental health. Similar expectations about education, combined with governmental commitments to 'upskill' their workforces, have driven huge expansions in state spending on education. In sum, the 'welfare state', however compromised by 'marketization' and 'partnerships' with the private sector, has continued to expand.

In Britain this is strikingly evident in the huge expansions at the beginning of this century, the biggest ever sustained increase in a short period. In the USA welfarism has been particularly on the defensive ideologically (at least up to the election of Obama), but even there, in practice, spending has increased. This is in part disguised, as in veteran support, which provides a 'hidden' welfare state to so many Americans, and also in 'penal Keynesianism', with rising state spending on 'fighting crime', and especially on imprisonment, a well-aimed method of taking over 2 million of the least employable out of the labour market.

For effective Keynesianism government spending has to be not only big, but also subject to effective national control. In more federal systems, like the USA and Germany, this has always been an issue. American states are constitutionally bound to run balanced budgets, and in the 1930s this led to expanding federal programmes being offset by state-level retrenchment. This time, however, the Obama plan includes federal subsidies to states to help them sustain their spending as their tax revenues are hit by the recession. So far it has been taken for granted that what matters for Keynesianism is the size and capacity of *national* governments. This focus is, of course, wholly at odds with notions that globalization has rendered national states largely impotent in the face of global economic forces. What are we to make of such claims?

Globalization and national economics

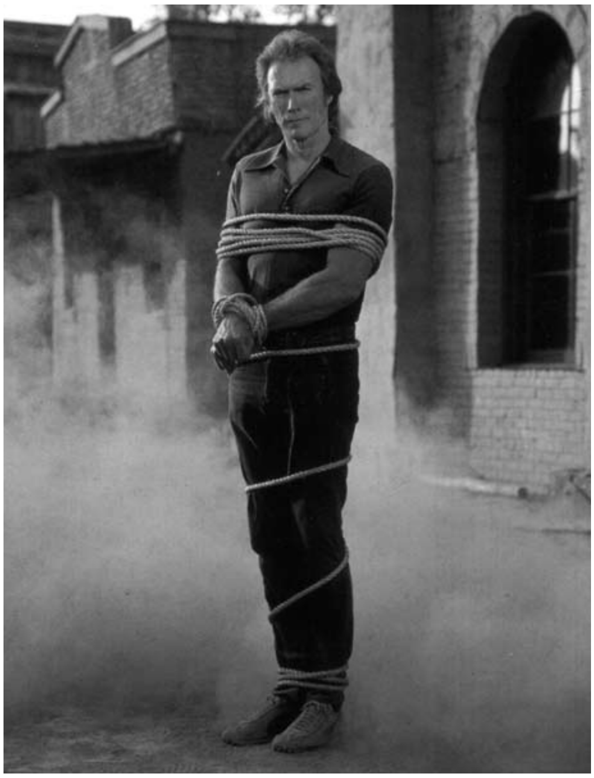
First, it is vital to get a sensible historical perspective on 'globalization'. Ever since the rise of modern capitalism national economies have been interconnected with each other. In the late nineteenth century these interconnections were immensely strengthened with the enormous expansion of international trade based on steam shipping, railways and national policies favouring trade expansion, even if few counties went the whole hog with free trade. After 1870 these trade flows were accompanied by unparalleled flows of capital and labour, creating what economic historians stress was the first great age of globalization.[2] While much of this 'globalization' was a one-off creation of European expansion into North America and Australasia, it was by no means restricted to those areas, with much of Asia, especially, drawn, willingly or unwillingly, into large-scale economic interaction with the rest of the world.

While the interwar period saw a retreat from the heights of globalization reached by 1914, few countries even attempted to retreat to full economic isolation. The transmission of the slump of the 1930s around the world well demonstrated how strong international economic links still were. Paradoxically, it was in the country which continued to have the most internationally integrated economy (even if below the 'hyper-globalized' levels of 1914), Britain, where Keynesianism was born. While

Keynesian textbook models occasionally assumed a closed economy for the purposes of exposition, Keynes's own life work was largely concentrated on making national economic management compatible with continuing high levels of international economic integration. While seemingly sometimes despairing of this dual project in the depths of the 1930s slump, Keynes's work in the 1940s in attempting to create new international economic institutions was clearly predicated on the belief that Britain's interest lay in combining national policies of full employment with maximization of trade and long-term capital flows between countries.

Keynesianism, then, has nearly always operated in countries with substantial openness to international economic forces. The 'national economy' may always have been a 'myth', but it is not a myth that Keynesians have historically had to subscribe to.[3] But what about now, after the recent period of renewed globalization in the late twentieth century? Is there still a significantly autonomous national economy to be the object of Keynesian (or indeed any other kind of) management?

The trends here are mixed. The above emphasis on the continuing existence of a high-spending state for national policy could be offset if state expenditures were largely spent on imports, either by the state itself, or by the recipients of transfer payments, such as pensions and social security. However, taking the British case, most direct state spending on services like the NHS and education is on staff salaries, so the impact, like that of transfer payments, depends on what consumers spend their money on. The long-term trends have been for consumers, as well as paying more in taxes to pay for public services, to spend a smaller proportion of their incomes on food and, more recently, less on manufactured goods, and more on services. As regards food, there has been a definite trend to 'deglobalization'. Britain is far less dependent on imported food than before 1914, when two-thirds of all British food consumption relied on imports.



Manufactured goods are the quintessential internationally traded items. The long-term trends are twofold. On the one hand, a world of freer trade and the rise of new industrial nations has sharply raised the proportion of consumption of manufactures sourced from abroad. On the other hand, the significance of manufactured goods to total consumption (and production) has declined. As regards the portmanteau category of 'services' the story is also mixed. Some of these (tourism and travel, for example), and some financial services, are highly internationally tradable. But many services are defined by being 'personal' – requiring the personal presence of the supplier at the place of consumption (restaurants, live entertainment, hairdressers and other 'beauty' providers, shops). Also notable is the expansion of personal-care services such as childcare, and care for the elderly and infirm. Thus many private services are akin to the major public services of health and education in requiring the 'human touch' as a large component of what is purchased, and so lacking international tradability. From all these trends has emerged an aggregate trade picture which suggests that openness to trade today is only fractionally above where it was in 1913.

For migration the picture is more straightforward. Compared with the pre-1913 period, the scale of movement of people in and out of the major Western countries is significantly *lower* relative to their total populations. While migration may well have effects on wage levels in both sending and recipient countries, these are likely to be relatively small in aggregate, though may have serious implications for particular categories of workers.

The area where the effects of globalization on national economies is focused is international capital flows. Again, it is worth stressing that pre-1913 such flows were enormous, and certainly in the British case are smaller today than they were then. For most OECD countries they are only at similar levels. It is also worth noting that 'globalization' is in many respects a misnomer here, as many of these flows are confined to limited geographical areas, though there have been some recent shifts as a result of the rapid industrialization of India and China.[4] The crucial question is: how far do these flows undermine the conditions for national economic management?

Cred

One term often deployed here is the 'race to the bottom', which suggests that faced with internationally mobile capital, countries will slash tax (and hence spending) to retain their attractiveness to international investors. But there is no good evidence of this occurring – tax rates on corporations have fallen a little in many OECD countries, but this has been offset by parallel cuts in corporate tax allowances. The evidence on spending certainly doesn't suggest national governments are finding it impossible to finance that spending because of capital flight.

If we divide capital flows into *direct* (much of which is long-term and carried out by multinational companies) and *portfolio* (which is predominantly short-term buying and selling of financial assets) we can get a handle on what is happening. On the direct side, the mobility of such capital is constrained by the 'embeddedness' of much of multinationals' activity in local supply chains, based on specific transport and communication networks – in local (national) systems of commercial and patent law; in local labour markets, welfare systems and patterns of workplace regulation. All this means that the footloose nature of such capital is often exaggerated. It does move, but not readily, and not in response to every national policy change.

For short-term national economic management it is portfolio investment, where the costs of moving are usually vanishingly small, that is the constraint on national Keynesian policies. But how much of a constraint?

This issue is an old one. Ever since national governments sought to manage their economies they have been subject to the constraint of a potential adverse response by international financial markets, leading to a 'loss of confidence', capital flight, and enormous pressures to change direction. Such scenarios were enacted under the British Labour government of 1929–31, and later in the 1930s under the Blum government in France. Both countries endured similar problems, in Britain in the mid-1970s and under the Mitterrand presidency in France in the early 1980s. These episodes make it clear that in order to pursue national economic management governments have to pursue policies acceptable to international financial markets. In modern terminology, they have to sustain policy 'credibility' if they are not to be forced to change direction.[5]

But sustaining such credibility does not rule out Keynesian policies. The key issues for participants in international capital markets are inflation (actual and anticipated) and the scale of public borrowing.[6] If inflation is deemed out of control, and borrowing is expanding at a rapid rate, then the markets are likely to see such policies as unacceptable and force a change of course – and such conclusions are more likely to be drawn if the government in power is on the left, and therefore seen as more likely to take risks with inflation and public borrowing levels.

The 1970s in Britain are instructive on this point. In 1974/5 inflation and public borrowing appeared to be getting out of control, the Labour government was forced by a loss of confidence to tighten policy from 1975, and after much excitement in 1976 this restrictive policy was given a 'seal of approval' by the IMF. By 1978 the government was able once again to pursue mildly expansionary fiscal policies, as by then inflation and public borrowing were clearly under control. This episode suggests that Keynesian policies are compatible with sustaining credibility as long as they are measured and not too ambitious, though plainly what is deemed 'reasonable' by financial markets is likely to shift over time rather than being a fixed entity.

'Constrained Keynesianism' is the only type that ever existed in the Western countries. In the light of the above, the revival of so-called Keynesianism may be seen as unsurprising. Governments possess the calculating machinery necessary to gauge the effects of manipulating the very high levels of spending and taxation they control. There is a separable economic domain within which their actions are (subject to 'leakages') effective – call it, for the sake of argument, a national economy. If they calculate carefully they can finance their policies without suffering a loss of confidence, especially as fears of inflation are absent. Of course, the satisfaction of these conditions of existence does not necessarily bring such policies into being – that also requires the necessary political calculation. But in a self-reinforcing way, if such policies do not threaten a loss of confidence then the political calculus shifts towards Keynesianism by greatly reducing the potential downside of expansionary policies. The possibility of mitigating a recession otherwise likely to bring all sorts of difficult policy dilemmas, as well as electoral unpopularity, is likely to prove extremely attractive.

Notes

1. See Jim Tomlinson, 'Why Was There Never a Keynesian Revolution in Economic Policy?', *Economy and Society* 10, 1981, pp. 72–87.
2. Martin Daunton, 'Britain and Globalization since 1850: I. Creating a Global Order, 1850–1914', *Transactions of the Royal Historical Society* 16, 2006, pp. 1–38.
3. Hugo Radice, 'The National Economy – A Keynesian Myth?', *Capital and Class* 22, 1984, pp. 111–40.
4. Paul Hirst and Grahame Thompson, *Globalization in Question*, Polity Press, Cambridge, 1999.
5. Gordon Brown, 'The Conditions for High and Stable Growth and Employment', *Economic Journal* 111, 2001, pp. 30–44; Ben Clift and Jim Tomlinson, 'Credible Keynesianism? New Labour Macro-economic Policy and the Political Economy of Coarse Tuning', *British Journal of Political Science* 37, 2006, pp. 47–69.
6. Layna Mosley, *Global Capital and National Governments*, Cambridge University Press, Cambridge, 2003.

The politics of the long run

Yutaka Nagahara

> It is … proper to State deterritorialization to moderate the superior deterritorialization of capital and to provide the latter with compensatory reterritorializations.
>
> Gilles Deleuze and Félix Guattari, *A Thousand Plateaus*

How did the neoliberal globalization of the last thirty-five years change the structure of capitalism? Or, to put it in Deleuze and Guattari's terms, what happened, after globalization, to the state moderation of 'the superior deterritorialization of capital' – to the state which capital has to *fall back on* in order to be able to continue its apparent perpetual accumulation? This is the crucial point at issue in the current crisis, not only for those trying to reterritorialize capital, but also for those in search of 'another world'. Let us hear first from two 'legitimate' heirs of Keynes: Paul Krugman and Joseph Stiglitz.

'Animal spirits' of the short run

Krugman, who proudly distinguishes himself from the masses of what he calls the 'vulgar Keynesians', keeps on emitting the message that 'depression economics has returned'.[1] He is confident of his analysis that as a political remedy for the current crisis an interest-rate cut has already lost its usual effectivity to boost the economy, since it is ultimately evaluated inside the shrunken market. The sole policy for Krugman is, therefore, the fearless and bold interventions of the state into the atrophied market, *temporarily* ignoring the already cumulatively enormous budget deficit:

> [I]n normal times modesty and prudence in policy goals are good things. Under current conditions, however, it's much better to err on the side of doing too much than on the side of doing too little. The risk, if the stimulus plan turns out to be more than needed, is that the economy might overheat, leading to inflation – but the Federal Reserve can always head off that threat by raising interest rates. On the other hand, if the stimulus plan is too small there's nothing the Fed can do to make up for the shortfall. So when depression economics prevails, prudence is folly.

Living in the world of 'the short run', Krugman also reproves those who are reluctant to employ financial devices, being timidly nervous about so-called 'crowding-out', asserting that 'there is no trade-off between what's good *in* the short run and what's good *for* the long run.' Clearly, he is insisting on a short-run 'strong fiscal expansion' only on behalf of 'the long-run prospects'. In this respect he is undoubtedly a genuine Keynesian who is accustomed to taking the state on trust. However, due to his 'short-term' world, Krugman strategically avoids going deeper into topics such as the enhanced regulation of financial capital and the repositioning (i.e. recentring) of the US dollar.

On the other hand, Joseph Stiglitz strategically insists that the current situation *is* a chance for the reconstruction of a new world economic order.[2] Interestingly, this places him close to Henry Kissinger, who has volunteered to 'shill' Obama, enticing him to launch a project for the (re-)establishment of the 'new world order'.[3] Stiglitz also strongly admonishes us that '[e]ven Adam Smith recognized that unregulated markets will try to restrict competition'. He develops this further:

> Adam Smith, the father of modern economists, argued that the pursuit of self-interest (profit-making by competitive firms) would lead, as if by an invisible hand, to general well-being. But for over a quarter of a century, we have known that Smith's conclusions do not hold when there is imperfect information – and all markets, especially financial markets, are characterised by information imperfections. The reason the invisible hand often seems invisible is that it is not there.… No modern economy can function well without the government playing an important role. Even free marketeers are now turning to the government.[4]

Having given a sincere *hommage* to the principle of the market and the Smithian invisible hand, Stiglitz therefore appeals to us for the necessity of 'a new kind of public–private partnership' and/or 'a new balance between market and government'. This is because he is deeply convinced that, in relation the Keynesian 'expectation' backed up by the Keynesian 'convention' (about which Krugman cautiously holds his tongue), the possible recovery from the current crisis will experience neither a 'V-shaped (short and sharp)' nor a 'U-shaped (longer but milder)' curve, but rather an 'L-shaped' one. In other words, he has never doubted that rash and impatient policy is highly likely to end up with another disaster in the near future.[5]

The problem here revolves around the difference between the twin concepts of 'the short run' and 'the long run', which in turn connotes the implicit difference between the 'recentering' (Krugman) and the 'decentering' (Stiglitz) of the axis of the world economy, changing concomitantly with the historical shift of American capitalism. In particular, we need to think about what this doublet of the short run and long run means, theoretically, in connection with the state (form) from which economists have been trying clandestinely to avert their 'scientific' insights, in the name of a makeshift concept such as 'policy', despite the fact that the sole subject of the policy is obviously the capitalist state?[6]

The spinning wheel

The seductive bitter-sweet smell that the term 'crisis' emits is particularly attractive in Japan, where the economic situation is about to trigger a political crisis for the impotent prime minister Taro Asou. Before talking about Keynesian devices, we cannot fail to notice the starting point of this kind of crisis, which Marx eloquently described:

> Such a crisis occurs only where the ongoing chain of payments has been fully developed, along with an artificial system for settling them. Whenever there is a general disturbance of the mechanism, … money suddenly and immediately changes over from its merely nominal shape, money of account, into hard cash. Profane commodities can no longer replace it.… The bourgeois, drunk with prosperity and arrogantly certain of himself, has just declared that money is a purely imaginary creation. 'Commodities alone are money,' he said. But now the opposite cry resounds over the markets of the world: only money is a commodity.[7]

In the last decade or so, everything, including even the currencies on the forefront of which sovereignties are deeply carved (with an exception like the euro), became commodities, ending up with a situation where 'only money is a commodity', and as its recto the 'profane commodities' produced in the so-called real economies seem to disappear totally from the surface. Under such a situation, where capital completes itself as fictitious capital pure and simple, and devotes itself only to the production of nominal differences on the surface, not only pensioners (in the original sense of the word), as a matter of course, but also the workers who produce the 'profane commodities', and even the state per se, appear to become the pensioner or the rentier in a wider sense of the word. Does capital's deterritorialization of everything including debts – subprime problems – escape its reterritorialization by the state? Under the 'normal' conditions of this inversion, what is supposed to occur?

So-called modern economics are premissed on the creed that 'What goes up must come down. Spinning wheel got to go round.'[8] That is to say, behind the creed there must also lie the 'expectation' that 'What comes down must go up.' It implies an optimistic faith in the return of *real and profane* commodities as the sole wealth, and the restarting of production, despite the fact that the real economy is already totally financialized (or securitized) and plunging into a phase of *instantanéisme* rather than *présentisme*.[9] This is what the business cycle unconsciously sets forth as an optimistic premiss, ignoring how it manages to transmogrify itself. The standpoint with which the business cycle arms itself is the immaculate *kyklos* as such. It takes for granted that the boom (or, rather, the bubble) is the normal state of economies and therefore the crisis is abnormal. On this presumption alone are the devices of anti-cyclical policies scaffolded.

The alarming problem for this kind of optimistic standpoint, backed only by 'long-run' expectation, is not only how to gauge the Keynesian 'expectation' by which the turning point of the cycles must be measured, but also how to find reliable carriers of the social (overhead) cost to sustain the 'expectation' as the 'convention', until the boom/bubble comes back. However, if the time of the bottoming-out is always discovered belatedly, then the problem becomes how long we have to hold out the so-called recession and the pain associated with it. And, more importantly, who is 'supposed' to shoulder its destruction and pain?

The accusation that capital does not care how much labour will be destroyed no longer holds. As Leo Panitch and Sam Gindin point out, labour is now organized as the specific pensioner, even before retirement, and is captured by the speculative markets manipulated by the so-called shadow banking system even while still having to work for a living.[10] With regard to this situation, which was fixed during the globalization of the last decade, it is unfair to condemn workers for being bribed by the ideological apparatuses of the state. The problem about how long the juxtaposition of the plethora of capital and the redundancy of labour – the very definition of crisis in the Marxian sense – can endure the two closely connected destructions *together* must become a central political theme, which cannot be conflated with the rescue of capitalism.[11] In which case, then, we have to say straightforwardly that the shorter the 'holidays' from work the better, so as not to condemn to premature death those who do not deserve it.

The Keynesian state: 'expectation' and 'convention'

On 28 January 2008, when the last phase of the bubble was about to burst, former President Bush delivered the last State of the Union address and proclaimed that '*in the long run*, Americans can be confident about our economic growth'. He also repeated, on 18 October 2008, when the acute meltdown was already clear from the viewpoint of the 'short run' that '*in the long run*… our economy will bounce back'. These two political statements immediately provoked cyber (network) dwellers to recall Keynes's famous statement, in order to scoff at Bush.

> This long run is a misleading guide to current affairs [the short run]. 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.[12]

Based on Keynes's statesmanship of 'the short run', we can criticize Bush's two addresses as those of a man pretending nothing is amiss in order to conceal his resourcelessness as a politician, miserable bluster for the presidential election to come. However, there is another piece of 'classical' Keynes that deals with the postwar regime, and the Bretton Wood Agreement of 1944, which should be posthumously taken as his *political will*. Here, Keynes is a genuine classical economist:

> In the long run more fundamental forces may be at work, if all goes well, tending towards equilibrium… Here is an attempt to use what we have learnt from modern experience and modern analysis, not to defeat, but to implement the wisdom of Adam Smith.[13]

As is also clear in his famous 'metaphor' of the beauty contest by which he tried to describe the self-referentiality of the market,[14] the Keynes who engages with 'current affairs' in the short run is forced to behave as a resolved statesman (and he actually did), from which we can draw a generalization: the principle of the short run should be nothing but the political decision, even if it is given an ostensibly rational – or rather, axiomatic – explanation by the theory of economics.

Of course, there have been a lot of arguments about chapter 12 being some kind of derailment of *The General Theory* as a whole, and a psychology rather than a part of macroeconomic theory. However, can we be so simple and naive? Keynes is way smarter than those who style themselves Keynesians. Why do so many economists, including me, an adamant Marxist, have prosaic predilections for chapter 12? It is partly because in order to reduce the uncertainty of the self-referential and beauty-contest-like market by fixing a long-term expectation in the short run (i.e. in advance), it is necessary even for neoliberalism to 'expect', or fall back on, the state which functions as the non-market device that can sustain the long-standing and stable 'conventions' for the promotion of the 'animal spirits' of capitals.[15]

In this sense, Keynesian 'convention' is nothing but the capitalist state as such, which is expected to stably bolster capitalist expectations in the long run. Hence, chapter 12 should be grasped as a systemic derailment of *The General Theory*. In other words, for Keynesian economics, the state is inevitably yet implicitly embedded in the whole theory as the device that encourages the 'animal spirits' on behalf of capital even when it falls into the depression following the crisis.

On the other hand, if we take up the Keynes of the long run, the Bush who was mocked for his politically intentional optimism must rather be justified, even by the Keynes who elaborated his theory of effective demand in the short run (i.e. his economic theory of the state), derived from the critique of the Say's Law: in the long run, precisely speaking, without doing anything in the short run, the equilibrium will and must arrive.

The difficulty is that the socio-economic and ideological apparatuses that furnish the convention, backed by the state, which can ensure the prospective yield according to capitalist expectation in the long run, must also be theorized as that which functions as the political leverage by which capitalist expectation in the short run can be guaranteed. Thus, thinking about the accelerated spillover of capitalism's too rapid deterritorialization *from* reterritorialization by the state in the last decade, we have to say that it seems to be no longer possible to hold the distinction between the long term and the short term. For contemporary capitalism the long run in which 'we are all dead' is no longer allowed; only the painful continuation of the 'the short run', where people are forced to experience their unexpectedly short life, remains after globalization. Capitalism, whose sole essence is deterritorialization, so accelerated its movement in the last decade or so as to *unexpectedly* succeed in depriving the state of its power to reterritorialize that which capitalism deterritorialized. The (nation-)state can no longer reterritorialize what capital deterritorializes. The relative deterritorialization that has been managing capital-*ism*, in one way or another, faces a tectonic crisis. This is what the current crisis means, into which the subject of absolute deterritorialization is literally expected to intervene.

Notes

1. Paul Krugman, 'Vulgar Keynesians', *The Dismal Science*, 6 February 1997; 'Depression Economics Returns', *New York Times*, 14 November 2008.
2. Joseph Stiglitz, 'The Next Bretton Woods', *Project Syndicate*, November 2008.
3. K. Nimmo, 'Kissinger Again Shills Obama and the New World Order', 13 January 2009, www.prisonplanet.com; Henry Kissinger, 'The Chance for a New World Order', *International Herald Tribune*, 12 January 2009.
4. Jospeh Stiglitz, 'A Crisis of Confidence', *Guardian*, 22 October 2008.
5. Joseph Stiglitz, 'Guided by an Invisible Hand', *New Statesman*, 16 October 2008; 'Reversal of Fortune', *Vanity Fair*, November 2008; 'Bail-out blues', *Guardian*, 30 September 2008.
6. As Skidelsky points out, 'Keynes rejected *lassez-faire* as a policy before he developed a convincing economic theory explaining why *laissez-faire* would not work.' Robert Skidelsky, *John Maynard Keynes*, vol. 2, Penguin, Harmondsworth, 1992, p. 219.
7. Karl Marx, *Capital, Volume 1*, Penguin, Harmondsworth, 1976, p. 236.
8. Blood, Sweat & Tears', 'Spininng Wheel' (1968).
9. Paul Virilio, 'Le krach actuel représente l'accident intégral par excellence', *Le Monde*, 18 October 2008.
10. Leo Panitch and Sam Gindin, 'The Current Crisis', *The Bullet* 12, 2008.
11. Slavoj Žižek, 'Don't Just Do Something, Talk', *London Review of Books*, 10 October 2008.
12. J.M. Keynes, *A Tract on Monetary Reform*, *The Collected Writings of John Maynard Keynes*, Macmillan, London, 1971, p. 65.
13. J.M. Keynes, 'The Balance of Payments of the United States', *Economic Journal*, vol. 56, no. 222, 1946, pp. 185–6. For the classical aspect of Keynes, see Michael Hardt and Antonio Negri, *Labor of Dionysus: A Critique of the State-Form*, University of Minnesota, Minneapolis, 1994, ch. 2.
14. J.M. Keynes, *The General Theory of Employment, Interest, and Money*, *The Collected Writings of John Maynard Keynes*, vol. 7, Macmillan, London, 1973, p. 156.
15. *The General Theory*, pp. 162, 152.