

Podemos' Reformism and the Revival of Keynesianism

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Reformism, in general, is defined as a set of postulates intended to generate the illusion that reforms within the capitalist mode of production are a feasible solution to antagonistic contradictions between capital and labour. Reformism advocates that capitalism can gradually improve the standard of living of the toiling masses, provided that certain reforms are carried out in the structure of the distribution of wealth, without compromising the main relations of production. Reformism has evolved with the development of capitalist relations of production, and, in particular, the level of capitalist accumulation. Reformism in the 19th century appears different from modern revisionism and modern reformism. They share certain similarities, as both forms are intended to consider the resolution of antagonistic relations of production without fundamental transformation.

This is, however, a generic statement, a broad framework within which to identify main guidelines of development and evolution. Based on generic observations one can always argue about the class essence of a certain movement or economic theory. For instance, one can argue that Podemos raised suspicions from day one on the grounds that their leaders systematically obliterated any shred of Marxist terminology from their jargon. In fact, not only was Marxist phraseology carefully expunged, but, as a result, new wording had to be identified to address such basic concepts as that of class. While echoing the sentiments of large layers of the exploited masses, and opportunistically using them for their own agenda, Podemos refuses to use the Marxist notion of class by replacing it with that of "caste".¹ In their view class antagonisms are now projected to a different plane made up of the people and the corrupt elites, which act as a caste. There is little room for discussion with regard to the appropriateness of the term, let alone its scientific acumen. Replacing the Marxist notion of class with that of caste has little scientific substantiation, especially for those who, at some point in their political careers, were definitely acquainted with Marxism, however superficially. That said, in order to perform an analysis of the class character of the movement it is necessary to study its economic programme, which is an expression of its genuine intentions. The fact is that broad popular movements can adopt different forms, at times distinct from those organizations of the political vanguard. Trotskyism refuses to see the value of broad mass movements, whereas right-wing revisionism either absolutizes their role or partially follows Trotskyism as a means to remain aloof from the struggle. Indeed, Podemos emerged, in part, as a result of the profound inability of the revisionist movement, both in theory and practice, to address the intrinsic needs of the exploited masses and to provide a programme with which to overcome the dependent character of the economic structure and relations of the country. Since the emergence of Podemos as a political expression linked to earlier more or less spontaneous popular movements, even if amorphous, the question emerged as to whether it encapsulated in some form the potential for fundamental change. The question revolves around whether Podemos' class and political essence goes along an ascending or descending line of development with respect to the current stage in the evolution of revisionism and reformism. As discussed earlier (see previous issue of *Revolutionary Democracy*), revisionism performs a well-defined role that goes beyond the accomplishment of concrete political actions in favour of capital. The role of revisionism is to facilitate and enable the conditions for broad layers of the toiling and working class to accept capitalism as an

inevitable reality, to the point that even revisionism itself eventually becomes politically irrelevant. The latter provides space to other forms of political expression that are explicitly docile to monopoly capital, such as that of Podemos, as we will see. It is in the analysis of its economic programme that we can comprehend the historical role that Podemos, like Syriza in Greece, is posed to play, if allowed by the circumstances. One can inject content to the notion of a descending line of development, in that, as a result of our economic analysis, Podemos is a natural heir of modern revisionism in its evolution towards accepting capitalism as a historical necessity and thus rejecting the notion of socialism as a necessary stage in the socio-economic development. Needless to say, the old revisionist organizations, such as the Spanish PCE and the Greek KKE, however diminished in their ability to influence political processes, remain present in the political arena as a potential reserve, should new spontaneous movements emerge in the future.

Spontaneous popular movements emerged in Spain triggered by the devastating consequences of the economic crisis. Podemos surfaced as a more or less structured political organization that is able to seize a significant fraction of the popular vote. As pointed out earlier, this phenomenon becomes possible partly by the inability of the revisionists to provide a workable alternative to the political framework that they themselves are organically attached to. It has been argued by Podemos' leadership that the European "classical" left is too weak to be a credible alternative and, hence, there is the need for a political organization of a different type. In the words of its leader, Podemos is seen as a political organization of a different type:

"What needs to be done is something that goes much further than the left and the right. It has to do with loving your people" (Pablo Iglesias, <http://www.nuevatribuna.es/articulo/espana/problema-base-casta-politica-clase-social/20140823233157106460.html>)

It is not the first time that political pundits have called for panaceas beyond the left and the right. Nevertheless, the above statement finds further reflection in the class composition and organic structure of Podemos as an organization. For instance, its leadership is almost exclusively composed of university graduates with post-graduate degrees, predominantly in the areas of humanities. The labour market struck the latter particularly hard. This raised suspicions as to the real class character of the organization and its intentions with regard to key economic issues: is Podemos willing and able to provide a programme of transformation with which to overcome the relation of dependence displayed by the Spanish economy with respect to the EU?

Keynesianism in Podemos' economic programme

The answer to the above question became evident with the publication of their economic programme. Podemos' economic programme was put together by two academics, Vicenç Navarro y Juan Torres Lopez. Neither of them regards themselves as Marxist. An analysis of their economic works irrefutably confirms this self-assessment. Their notion of the role of economic theory and socialism is eclectic, at best:

"If the transformational project is to define a project in which each person received resources according to needs, and these should be financed according to the abilities and aptitudes of each

person (what used to be referred to as socialism), then one has to realize that socialism is constructed and/or constructed everyday within capitalist societies. For instance, when public universal health care is created or reinforced on the basis of sustainable financing, socialism is being constructed. When its financial sources are privatized, socialism is destroyed. On this basis, and regardless of how the project is defined, there is an enormous potential to mobilize the masses. In reality, several polls have demonstrated that the majority of the population in Spain agrees with this principle.” (Vicenç Navarro, in “Notes of a strategy for change”, <http://www.vnavarro.org/?p=8908>)

There is no need to dwell on this paragraph other than to stress that Navarro’s approach to socialism is that of a Western liberal bourgeois academic, outside the boundaries of what we refer to here as modern revisionism. Modern revisionism, at least formally, acknowledges many Marxist notions spelled out in *Capital*. The depth with which liberal bourgeois economists read *Capital* is particularly underwhelming. Navarro is known for his eclectic views regarding Keynesianism² and Marxism. Keynesianism and Marxism are irreconcilable on key questions regarding the theory of value, employment, rent, banks, the nature of crises, to name a few, and in general the character of capitalist production, as will be seen below. It is, revealing that Navarro has become a leading ideologist of Podemos. This corroborates our earlier suspicions regarding the class nature of the organization and its genuine intentions with regard to economic questions.

It is appropriate to take the opportunity to stress how daunting it is to consider the socialist mode of production, or elements of it, within the capitalist formation,³ in particular in the age of monopoly capital. Social spending, especially in developed countries, is at times confused with some sort of economic formation per se, independent of the capitalist mode of production. This could not be further from the truth. Let us not forget that European fascism in the 1930s used elements of social welfare to win sectors of the toiling masses over to fascist ideas. As a matter of fact, the fascist movement started off with neo-socialist rhetoric involving scathing rants against the “greediness” of the bourgeoisie. Needless to say, in practice, the fascist movement had to eliminate this anti-bourgeois extravaganza more or less forcibly. What is of concern here are the consequences in practice of reconciling certain notions embedded in the system of socialist ideas with a social formation based on monopoly capital.

The discourse of modern reformism, more so since the crisis that emerged in 2008, pivots around income inequality.⁴ In Marxism, income inequality is a manifestation of a type of relations of production, namely, the relations of distribution. That said, as it is evident from the Marxist methodology in political economy, the principal relation of production is that of the relation of ownership of the means of production. The latter underpins the dynamic between capital and labour. The relations of distribution spring from the relations of ownership. The fundamental transformation of the character of the relations of distribution requires a similar change in the relations of production. To discuss relations of distribution, or as has become popular, income inequality, without investigating the character of the relations of ownership is outside the framework of Marxist methodology and leads to dangerous consequences for the working class and the liberation movements. Reformism as an economic theory does not really deal with the character of the ownership of the means of production, and not necessarily because it is absent as a notion. Instead, reformism advocates new taxation policies as a means to alleviate income

inequality, as opposed to the nationalization of the main means of production for the benefit of society as a whole. Reformism acknowledges income inequality and is able to quantitatively correlate it with capitalist accumulation and economic crises. Reformism's notion of exploitation is superficial in that it essentially rejects Marx's theory of surplus value and the nature of capitalist profit. In this sense, reformism is fundamentally what Marx called vulgar. Navarro's eclectic reconciliation of Marxism and Keynesianism is not original and does not deserve special investigation, other than to reiterate the fundamentally reformist nature of the discourse around income inequality and the economic reform suggested by Podemos.

One of the fundamental tenets of modern reformism is the system of postulates formulated by Keynes and the policies of the New Deal enacted by the Government of Roosevelt in the 1930s in order to mitigate the devastating consequences of the economic crisis triggered by the 1929 meltdown. The problem of income inequality, as posed more explicitly in recent years, appears coupled to the revival of Keynesianism and neo-Keynesianism. Generally speaking, without becoming technical and academic, policymakers tend to refer to State interventionism on the basis of the capitalist mode of production as Keynesianism. The economic literature on the subject is vast, and indeed modern neo-Keynesianism can be quite convoluted in its expressions to the point that it cannot be mechanically equated to the notion of State interventionism within monopoly capitalism. In fact, interventionism has many levels and implementations and it is not homogeneously considered by bourgeois economists. That being said, one can argue that modern Keynesianism, or neo-Keynesianism agrees one way or the other with postulates that play a critical role in *General Theory*. This pertains to the notion of the multiplier effect.⁵ Keynes defines the multiplier as the ratio between the increase in income generated and the increase in investment.⁶ The multiplier effect postulates that a positive increase in investment creates a similar effect in employment, which in turn generates further investment and so on. For instance, if a certain amount of investment is injected into the economy, part of that investment will result in job creation. Workers will receive salaries, part of which will be consumed, part of which will be saved for further investment. Roughly, it is believed that a dollar of investment will eventually generate more than a dollar of income and that full employment could be reached under capitalism. On the basis of this effect, it is believed that State-driven investment plays a central role in achieving full employment. With this statement, Keynes departs from the so-called neoclassical framework, commonly known as *laissez faire*. From the standpoint of Marxist political economy, the postulate of the multiplier effect lacks scientific substantiation and it is a by-product of vulgar economic thinking; hence our insistence in referring to it not as a postulate, which is put forward without proof, but rather as a hypothesis. Without appealing to theoretical arguments one can contend that full employment has never been achieved under monopoly capitalism, nor have crises been prevented. The so-called multiplier effect will be dealt with more below.

Keynesians argue that one finds a demonstration of the theory of the multiplier effect in economic crises spiralling out of control if intervention is not applied, that is, the reverse multiplier effect. If the change in investment is negative, jobs are lost, which reduces demand, which in turn reduces investment, and so on. This allegedly explains the devastating effects of the crash of 1929 and how other crises have reduced the destruction of the forces of production in subsequent crises. Not only economic theory but also practice has shown that the so-called reverse multiplier effect is not a proof of the validity of the effect, including the positive

multiplier effect. Modern bourgeois economic theory is the heir of post-classical economics, which Marx refers to as vulgar economics. The very notion of a multiplier, as posed by Keynes, already implies a vulgar understanding of the source of values; the rest is conjecture at best.

The anti-scientific character of Keynesianism has been exposed a long time ago (see below). Keynesianism and State intervention is relevant to our discussion to the extent that it becomes a core argument of today's reformism that has re-emerged in the economic program of the so-called European left, such as Podemos. Navarro is vocal about the validity of Keynes' postulates with regard to State intervention under capitalism as a driver of reform:

“Based on this experience, public (Government – *our note*) intervention in the financial sector to guarantee credit, and the enhancement of domestic demand through augmenting public spending and salaries, are two necessary strategic lines to stimulating the economy. This path is, in general, redistributive, as it enhances revenue of those whose income comes from salaries, who constitute the majority of the population.” (Vicenç Navarro, “Shortcomings of the economic indicators to measure the wellbeing of the people”, *El Publico*, January 22, 2015, translated from the Spanish.)⁷

This basic proposition constitutes the core of the economic theory underpinning the economic program of Podemos and, as will be seen below, of Syriza as well. The second author of Podemos' economic program, Juan Torres, has the following to say regarding Keynesianism:

“Keynes broke away from the neoclassical tradition because he understood the functioning of economic mechanisms in a different way. He acknowledged the inability of the market to regain equilibrium by itself, the stiffness inherent in labour, and the limitations of monetary policy; he identified the sources of disequilibria, such as unemployment and the market of goods and services, and he understood in a very different way the nature, functioning and determining factors of money, investment or markets of capital. It was on this basis that he proposed a type of economic policy that, in addition, did not necessarily imply massive public spending alone, but also, and probably more importantly, was based on a very different institutional and governance orders: control over movement of capital, combined implementation of fiscal, monetary, and exchange rate policies, together other instruments and the centralization of the objective to achieve full employment, etc...

“Above all, Keynesianism was based on moral principles radically different from those that liberalism has affected policy making for the past decades and even in the dominant collective mentality, in at least two prominent questions: inequalities and the cult of money and finances.” (Juan Torres Lopez, in “Keynes again, but how”, published in *Temas para el Debate*, n° 17, January 2009. Translated from the Spanish.)

Torres' works on Keynesianism are more convoluted probably because he has paid close attention to the evolution of Keynesian thought in the post-war period. Torres acknowledges the progressive character of Keynesian thought with respect to the postulates of *laissez faire*, which has been embodied in modern times by neo-liberalism. It is against the latter that Torres, as a representative of the reformist “left”, aims his criticism. Torres dignifies Keynesianism against “bastard Keynesianism”, which he sees a reactionary interpretation of the former intended to use

State-driven investment to boost military spending and further widen income inequality by means of certain taxation schemes. Some authors refer to this notion as Keynesian neo-liberalism. The latter incorporates the notion that State interventionism is put under the service of large corporations. That is, however, the logical outcome of Keynesianism, as will be discussed below. Torres exposes the degeneration of certain interpretations of Keynes that effectively negate it, using the classical schemes, its negation, as a reference point. In other words, Keynes was right in the formulation of his economic theory in the historical context that it was intended for. His theory later became a guide to action for policy making in the post-war period leading to what would be referred to as the “glorious years” of capitalism, in Torres’ words. Torres argues that Keynesianism is applicable beyond the boundaries of capitalism. It is, generally speaking, a system of thought that provides a solution to the problem of sustainability in economics. One could go back and forth trying to disentangle Torres’ convoluted language with regard to how bourgeois economics interprets Keynes and the value of his legacy in a world dominated by the neo-liberal doctrine. Indeed, Keynes has been the most debated economist among bourgeois scholars and we are not going to add anything to that discussion that they might appreciate.

That Navarro and Torres became the authors of the economic program of Podemos is an explicit expression of the fact that the economic discussion is now embedded within an openly bourgeois framework. The discussion takes place in the plane of Keynesianism and neo-liberalism, being safely described in the coordinate system of bourgeois economics. The reformist fabric has finally rejected Marxist notions and, as a result, openly rejects the socialization of the means of production, reducing any discussion pertaining to socialism to welfare and income re-distribution on the basis of the capitalist mode of production. In this sense, one can safely argue that Podemos’ economic program is embedded in a descending line of development with respect to revisionism, from which it emerged. One can also argue that Podemos’ economic program has a strong resemblance to that put forward by the Socialist Party during the early 1980s, at the time of a severe economic crisis and with the ambiguities inherent to the Spanish transition in the background.

Despite its phraseology, which has been decried by the right as being far left, Podemos comes forward with a bourgeois economic program characteristic of social democracy. Let us not forget that the economic reforms implemented by Spanish social democracy were the very same ones that enabled the integration of Spain into the European Union as a junior partner, leading to the systematic destruction of heavy industry and corresponding infrastructure. Podemos now puts forward an economic program based on Keynesian postulates, but now, on the basis of a well defined system of economic relations of dependence with respect to the industrialized countries of the European Union. Podemos, together with Syriza, are adamant about remaining in the European Union. For whatever reasons, they seem convinced that a withdrawal from the European economic union would be tantamount to a catastrophe. We are left not just with a classical social-democratic program, but with a system of statements full of wishful thinking and delusions about the democratization of the European political and economic structures. The level of degeneration in the economic thinking is so advanced that very little room is left for Marxian terminology in the discourse. Unfortunately, this evolution responds to a perverse logic that is far from random. Political movements of this sort inadvertently lead to broad layers of the population being driven by illusory programs and, under conditions of sustained economic crises, ultimately lead to fascism.

Podemos and the illusions of a New Deal

Navarro calls for the implementation of New Deal-like economic measures in Europe as a means to generate the conditions to overcome the recession, while reversing the growth of income inequality. Navarro has always been open about his attitude towards Roosevelt's New Deal and has always confronted Reaganism and the openly neo-liberal economic policies of the conservative party. Navarro is apologetic about the New Deal:

“In the US President Roosevelt (who is still the most popular president that the US ever had) overcame the Great Depression by increasing taxes on the rich and the super rich, taxing 91% of their income (yes, 91% of their income). With these funds he generated employment (11 million jobs), improving the much-deteriorated infrastructure of the country. Unemployment dropped from 23% in 1933 to 9% in 1937. He established Social Security and helped unions to expand with which to stimulate salary growth. Income differential dropped spectacularly and labour income increased. All that spurred great growth of demand and the economic activity leading to strong increase of employment.

“The New Deal... set the basis for the ‘golden epoch’ of capitalism, a capitalism with active public intervention, that maintained a high level of demand, based on policies of full employment, high salaries and high public expending. Public expending jumped to 16% of the GDP in 1950 from 3% in 1929. (Vicenç Navarro in “Fiscal Policy and class conflict: The Great Recession in the US (and in Spain) and how to get out of it”, <http://www.vnavarro.org/?p=6370>. Translated from the Spanish.)

The utopian character of Navarro's statement is staggering. The author argues that New Deal policies are not implemented today due to pressure from large corporations. This assessment is not new and it is based on a superficial interpretation of the essence of the New Deal. The New Deal came about in a very particular historical epoch when the position of the working class and broad sectors of the toiling masses in the United States appeared to lag behind their counterparts in other countries at the time. The introduction of the Social Security Act, the National Labor Relations Act and the Fair Labor Standards Act may seem to some historians as progressive legislation. In some sense this is true, but to a very limited extent. In reality the New Deal emerged as a means to salvage monopoly capitalism in the face of the deepest depression known at the time in the United States and the growing discontent among vast layers of the impoverished toiling masses. The fact is that the introduction of social benefits and regulation of labour conditions in industrialized countries was strongly tied to the spectacular progress made by the working class in the Soviet Union towards the beginning of the 1930s. The Soviet economic system was on solid ground, impervious to economic crises. The first workers' state in history not only refused to collapse, as predicted by many economists in the West, but displayed strong economic growth based on massive industrialization, including that of the countryside. That was achieved without the need for capitalism, without the ubiquitous presence of the big corporations. Out of fear of a social unrest, or even a social revolution, the US government was forced to make what may be viewed as concessions to the labour movement, such as the institutionalization of certain social welfare, the reduction of maximum hours, the minimum wage, prohibition of child labour, etc. In making these concessions, launching public works, new taxation schemes,⁸ etc. the New Deal never undermined the sustainability of monopoly

capitalism. On the contrary, it was in the end the large corporations that became consolidated and eventually gained further strength in the post-war period, both domestically and internationally. Criticism by the far-right in the United States with regard to the New Deal is simply misplaced. The New Deal did a lot more to assist monopoly capitalism in the United States than many give it credit for. When the US Congress approved a package of 3.3 billion dollars intended for public works,² Roosevelt's government had big capital in mind. The idea behind this injection (which, by the way, came into being before what is today known as Keynesianism settled down as such) was to create employment with federal funds with which to generate demand that in turn would stimulate production and with that even more employment.¹⁰ The final beneficiary of this scheme was in the end large capital, which ultimately became the recipient of large resources from the State. As soon as the stimulus package came to an end, the US economy entered a new recession in 1938, leading to a new spike in unemployment. This speaks to the sustainability of New Deal-style stimulus injections by the State. The high rate of unemployment in fact was not ended by the New Deal policies, but by the massive spending during the Second World War.

“The key law of the early New Deal was the National Industrial Recovery Act (NIRA), which set up the National Recovery Administration (NRA). Under this act the businessmen in each industry could confer, without fear of antitrust prosecution, to draw up ‘codes’ of fair business practices; the government would then enforce these codes as law. The codes established minimum wages, minimum prices in order to reverse the deflationary trend, and production quotas to insure fair competition. The law also contained a clause (Section 7a) which guaranteed labor’s right to organize. Within a year it had become clear that the codes were being written by and for the largest corporations in each industry, which used the NRA to engage in monopoly practices. Their minimum prices had ruined small businessmen. Their production quotas had prevented any changes in the relative sizes of the firms in each field. Most important, Section 7a had proved the seed from which company unions had grown up all over the nation. Although it had guaranteed workers’ the right to choose their representatives, it had imposed no obligations on bosses to recognize those representatives. Moreover, the NRA administrators had issued an order on February 4, 1934, that the representatives elected by the majority of workers in a plant could speak only for that majority; the minority and even individuals could bargain separately and negotiate their own contracts. Thus a boss could easily destroy a union by temporarily granting advantageous terms to company-union or non-union workers.” (“From the New Deal to the New Frontier”, Dorothy Lewis, *Marxist-Leninist Quarterly*, Vol. 1, No. 1, 1963.)

Roosevelt's New Deal has been one of the most extensively studied periods in the economic history of the United States. Many, such as Navarro in Spain, have given it a sense of universality, turning the New Deal into some sort of paradigm, a panacea to deal with income inequality under capitalism. There is also extensive literature, even from the standpoint of liberal bourgeois positions, that have exposed the true essence of the New Deal as a means to preserve the tenets of monopoly capitalism in an epoch of severe crises. The gap between words and actions, the reversal of some of the social-oriented policies, especially towards the second half of the 1930s, has been exposed on numerous occasions by a variety of authors. The assessment of the New Deal by Navarro and other reformist authors appears naive, at the very least. In practice it has led to the mystification of the Roosevelt's reforms with the intention of creating a myth around socially-oriented State intervention regardless of the nature of the economic system it is based upon. The fact is that the economic laws of monopoly capitalism, like those of any other

formation, are necessarily entangled with objective manifestations. The capitalist mode of production as a whole was considered in the third volume of *Capital* in the period of pre-monopoly capitalism. Monopoly capitalism, if anything, has exacerbated the fundamental features of capitalism in that it has accelerated the tendency for accumulation and the exploitation of labour. The main contradiction of the capitalist mode of production, as formulated by Marx, has not gone away: the capitalist mode of production is based on the exploitation of labour; however, at the same time, in order to generate profit, goods and services need to be purchased by the same people that are being exploited. Bourgeois economists have been trying time and again to turn their back on these arguments, finding themselves clinging to pseudo-scientific schemes despite the fact that economic crises are becoming deeper and longer and income inequality keeps reaching new levels. Modern reformism seems to be stuck in the same predicament.

The Torreses and Navarros fail to acknowledge that any form of wealth re-distribution under the capitalist mode of production is simply not sustainable. The economic history of the post-war period is in fact a direct corroboration of this outcome, contrary to what is argued. Believing in the feasibility of a New Deal-like program leading to sustained prosperity, even with all the gross caveats discussed above, is as preposterous as the hypothesis that monopoly capitalism can evolve backwards to its pre-monopoly form. Vindicating the possibility of monopoly capital giving up its ability to accumulate capital on the basis of existing economic relations is naive, at best. History has already taught us a terrible lesson, in that monopoly capital is bellicose, preferring the rise of fascism leading to devastating wars to a negotiation about income re-distribution. The tendency for accumulation is objective under capitalism. Schemes that subvert this basic notion in political economy are not based on scientific argument.

Reformism is in constant evolution, to be more exact, in constant degeneration, as the fundamental contradictions derived by monopoly capital develop. Despite the defence of an illusory New Deal-like programme, many advocates of Keynesianism have come to realize that any State-driven intervention should somehow adopt forms different from those adopted back in the 1930s. Indeed, the notion of State intervention has evolved into something closer to what is usually referred to as stimulus. When one looks closely at this notion one realizes that it includes a great degree of flexibility. Hence, the discussion appears reshaped into a dilemma between austerity and stimulus. Indeed, stimulus can mean different things to different people. Supplementary social spending, such as subsidies to the unemployed, appears to be a form of stimulus. Bailing out banks also appears to be a form stimulus, which utilizes taxation on the income of labouring masses to balance their spreadsheets. That said, even if it is more flexible, the concept of stimulus, as implemented by reformism, does not seem to include the generation of State-owned industry in dependent countries, such as Spain and Greece, with which to generate employment and with that the “propensity” to consume and invest. For instance, if one looks at the concrete proposals made in the economic program of Podemos one can read:

“Reaching full employment should be the priority of the Government of Podemos, by stimulating the private sector and, when the latter is not sufficient, through the creation of employment by the State by correcting the deficit in social infrastructure in the country, with the expansion of public services by the State of well-being, which today are clearly underfunded in Spain.” (“An Economic Project for the People”, page 12.)

Following this statement, the authors of Podemos' economic programme spell out their vision of how resources will be found for the State to engage in this spending. The recipe incorporates a Keynesian vision of spending, enhancing the propensity to consume, with which to stimulate investment, and so on. The recipe is to enhance consumption by increasing the minimum salary and other measures intended to increase the fraction of the national income going to salaries. A suite of measures that would include a fiscal reform aimed at suppressing corruption, enhancing tax collection etc., would complement this recipe. The authors acknowledge that agriculture and industry are indispensable to the long-term sustainability of the economy. The decline of the share of industrial production in national product and the role of foreign capital is also acknowledged. However, the authors believe that the development of national production can still occur within the existing framework provided there is sufficient positive reform:

“It is true that today, the very same global capital that has colonized our economy has imposed a regime that makes it difficult to protect the national agriculture and industry, but this does not mean that it is impossible to find formulae (as it happens in other neighbouring countries) to promote local production, its consumption by the locals and the appropriation of the generated surplus value by our economy.” (“An Economic Project for the People”, page 49.)

With this the authors make two aspects of their vision clear: the capitalist character of the economic development and that the latter occurs within the framework of the European Union. It is also important to note in this discussion that Podemos' reformism appears biased by the overwhelming pressure of neo-liberal thinking, to the point that Podemos seems unable or unwilling to even suggest large construction works, as implemented by Roosevelt earlier. In this setup, Podemos understands that it is not the role of the State to generate economic activity in the productive sector, as the latter falls under the realm of private capital. This is well embedded in the neo-liberal doctrines. In this sense, this sort of reformism is even more docile to monopoly capital than that of Roosevelt. Such is the nature of the degenerative process that revisionism and reformism have undergone in the epoch of monopoly capitalism.

As mentioned above, the notion of stimulus has become more flexible. The practical implementation and interpretation of State-driven intervention has evolved correspondingly. Podemos' reformist economic agenda is not a stranger to this development. Bourgeois literature is now plagued with a back and forth between the policies of stimulus versus policies of austerity. The former is portrayed as more or less progressive, and the latter as more conservative. With the degradation of the economic discourse of modern reformism, many in the so-called left become inadvertently embedded in the orbit of this discussion. This discussion resembles the Republican-Democrat controversy in the US. In this light, it has been argued by many that the stimulus package harnessed by the US Federal Reserve through sustained and massive purchase of national debt has been the chief programme responsible for the apparent recovery of the US economy in recent years. Besides the fact that the recent growth in the US GDP¹¹ has not resulted in the improvement of the conditions of labour of the vast majority of the toiling masses, one has to be very careful about parroting the corporate press regarding economic recovery. It is essential to bear in mind that pundits in the mass media have the health of corporate profit in mind. While, indeed, the US has generated some employment,¹² it is necessary to show the organic connection between this and the aforementioned policies. It is not enough to argue that because the Fed purchased securities massively, that employment was

created and that, therefore, stimulus packages work. Firstly, it is vital to understand the structure of employment and the evolution of the fractional weight of the various sectors of the economy. Arriving at conclusions based on average number can result in gross errors. Secondly, one should not ignore the fact that the US has undergone what has been labelled as the “Shale revolution”. The massive expansion of hydraulic fracking and horizontal drilling across the geography of the US has ended its dependence on the import of crude oil and gas, while generating hundreds of thousands of jobs. Oil production has increased from 5.6 million barrels a day in 2010 to a staggering 9.3 millions reached during the first half of 2015, shy of the record 10 million reached in 1970. It has been acknowledged that the non-conventional extraction of oil and gas is coupled with the introduction of significant technical innovations. Authors differ on how extensive is the impact of the shale industry on the overall economic performance of the country, however, everyone seems to agree on the role that innovation has played in the process. That being said, as always happens under capitalism, as mechanization becomes more sophisticated, less and less living labour is required, and, as a result, more and more people will be (as they are already) forced into the ranks of the unemployed or the under-employed. The economic laws connected to capitalist accumulation are inexorable. The new industry that has emerged in the course of the recent crisis is no exception. This is further aggravated by the nature of fracking (short life cycles), which forces companies to constantly find new reserves, as opposed to the more conventional sources of crude extraction.

The reformist illusion about the policies of stimulus on the basis of monopoly capital seems to be at the core of the economic programme of Podemos. The authors of this economic programme seem to be oblivious to the fact that, despite the immediate positive effect that stimulus packages can have, these measures ultimately promote further capitalist accumulation, leading to renewed downturns in employment. The Keynesian multiplier is short-lived and has never addressed the fundamental roots of crises in capitalism. The analysis of Podemos’ economic programme is permeated by the problem of economic dependence. Podemos fosters the illusion about the feasibility of sustained prosperity without the massive industrialization of the country, rendering the economic discourse even more hopeless. Many in Greece share similar illusions:

“In what follows, we will show that in the intermediate run, a recovery of the Greek economy will not be achieved from market forces alone; that is, if no stimulus were provided to the economy, how long would it take for real GDP to return to pre-crisis levels and for unemployment to fall within the relevant time?” (“Is Greece heading for a recovery?” D. Papadimitrou, M. Nikiforos and G. Zezza, Levy Economic Institute of Bard College, *Strategic Analysis*, December 2014)

The organic composition and its relationship to the developed countries of the European Union of the Greek economy is not significantly different from that of Spain. The reformist discourse attains a similar tone as a result. Syriza’s insistence on Greece’s remaining in the European Union at all costs is underpinned by the same illusion. The situation in Greece is aggravated by the fact that service of the national debt is significantly larger than the size of any the most optimistic estimates for growth, which begs the question as to how the national debt will ever be paid or, if instalments continue to be paid, how is the Greek economy ever going to grow. The Government of Syriza is unwilling or unable to break away from the framework that generated that debt and rendered Greece so prone to economic contraction. If Podemos’ economic vision

for Spain is hopeless, that of Syriza is simply delusional. To uphold this delusional vision faced with economic and political authorities of the European Union is considered by Syriza and its voters as a statement of struggle of the Greek people against their exploitation by the developed countries. From the standpoint of economic analysis this approach appears philistine, as opposed to being driven by a robust politico-economic vision.

The Marxist critique of Keynesianism

It is very important to briefly review the position of Soviet economists with regard to Keynes and his significant influence on policy making and the bourgeois economic theory.¹³ One of the most prominent Soviet economists who dealt systematically with the critique of the different trends in bourgeois economic theory and practice was Izrail Gregorievitch Blyumin.¹⁴ Blyumin's vast research on the history of bourgeois economic thought, with its internal structure and logical evolution, was one of the main references for the study of bourgeois economic thought from a Marxist perspective.¹⁵ He played a strong role in this area in the 1930s and 1950s and his works were widely cited in the Soviet literature. His lecture notes were reprinted in the 1960s with some modifications.¹⁶ We are not aware of any English translations of Blyumin's main monographs. His works are extremely valuable to any Marxist even today. As a matter of fact, it seems evident that today's reformism, in its attitude towards Keynes, is best understood by reading the bourgeois and reformist literature of the 1930s-50s. Today's reformism in the West has not added much significant to the discussion in terms of new notions and directions. For instance, discussions about the so-called "democratization" of the markets, which one can read in a wide range of reformist literature, is far from new. This question is reviewed in Blyumin's book "The Myth about People's Capitalism" (Gospolizdat, Moscow 1957). Podemos' economic programme also postulates the notion of the democratization of private companies and the Central European Bank.

Blyumin's language is clear and succinct, with unequivocal and precise statements. Blyumin gives a concise synthesis of the essence and historical significance of Keynes' economic vision:

"Keynesianism is an attempt to re-structure bourgeois political economy given the new tasks that the bourgeoisie had to deal with during the general crisis of capitalism. Keynes tried to generate a theoretical basis by means of implementing tricks of capitalist monopolies with which to appropriate monopoly profits. Monopolies are able to take possession of these profits with the assistance of the state, by using the latter to implement policies aimed at curtailing the standards of living of the working class, exploiting the colonies and dependent countries and preparing for imperialist wars. Under the slogan "State intervention in the economy" and the repudiation of *laissez faire*, which were traditional in England, Keynes vindicates state-monopoly capitalism." (I.G. Blyumin in "Critique of bourgeois political economy", Volume II, Izdatelstvo Akademii Nauk SSSR, Moscow 1962, page 73, translated from the Russian.)

Podemos, Syriza and other reformist movements that pretend to stand for the interests of the exploited masses in the era of monopoly capital should take note of the fact that the reliance on Keynesianism is not new in the reformist labour movement. Blyumin exposed the shift to the right performed by the Labour movement in the UK in the post-war period.

“Safeguarding the interests of the monopoly bourgeoisie, they declared that nationalization had already fulfilled its role and, as a result, it did not need to be implemented any further. The Labour leader Gaitskell came up with a series of pamphlets in which he advocated against nationalization, moving towards pure Keynesian positions.” (I.G. Blyumin in “History of Economic theories”, Gosudarstvennoe Izdatelstvo “Vyshaya Shkola”, Moscow 1961, page 256, translated from the Russian.)

Blyumin’s brilliant analysis and characterization of Keynes economic theory is precise, in that he is an expert on the inner logic that the bourgeoisie has to follow in view of its subjective position with respect to production and how the latter evolves historically. Because he has a profound understanding of Marx’s interpretation of vulgar economic thought, he is able to unearth the genuine essence of Keynes’ thought as pertaining to what Marxist defined as vulgar in *Capital*. Bourgeois economists and policy makers want to see Keynes as a step forward with respect to the postulates made by *laissez faire* economics. Many in the West have identified Keynes as a saviour; many times in the literature one can find references to the so-called Keynesian “revolution”. Indeed, Keynes was and continues to be very influential in bourgeois economics, not because he performed a breakthrough in bourgeois economic thought per se, but rather because bourgeois thought (and reformism following it) remains essentially a vulgar, pre-Marxist, doctrine. Blyumin sees Keynes for what his economic system is worth:

“The hype created around Keynes, of course, is not a reflection of the value of his works, but of the severe need by the bourgeoisie to find methods to strengthen the positions of capitalism, to postpone its inevitable collapse. The bourgeoisie is in need of ‘heroes’. In the area of politics, Mussolini and Hitler came forward together with other political figures in England, the USA and France. In the area of economic theory, Keynes appeared to play such a role.

“.. The reactionary essence of the Keynesian programme attracts the sympathy of reactionaries of all shapes and forms. In particular, in Hitler’s Germany the ideas of Keynes received a warm reception in the pages of the economic journals.” (I.G. Blyumin in “Critique of bourgeois political economy”, Volume II, Izdatelstvo Akademii Nauk SSSR, Moscow, 1962, pages 76-77, translated from the Russian.)

As also pointed out by bourgeois economists who have surveyed the Soviet literature, the connection between Keynesianism and fascist economics was downplayed in the late Soviet period. Blyumin, in his incisive analysis of the roots and idiosyncrasy of Keynesianism, commends the work of the German economist-statistician Jurgen Kuczynski, “New Fashions in Wage Theory” published in 1937. This book was among the first to expose the logical connection between Keynesianism and fascist economic theories. The connection is not circumstantial or imposed by the historical juncture.

We will return to the question of the inevitable connection between Keynesianism and the economic theories of fascism. Before doing so it is important to touch upon some relevant aspects of the multiplier effect. A prominent reference in the English language of the Marxist critique of Keynes’ postulates is the booklet “Marx Against Keynes,” published in 1951 by John Eaton, a leading economist of the Communist Party of Britain. Eaton’s book was translated and published in the Soviet Union in 1958.¹⁷ John Eaton’s critique of Keynesianism in the light of

the degeneration of the Labour movement of the UK represents one of the most valuable Western contributions to understanding the nature of reformism and its transformation into positions amenable to monopoly capital. Eaton's book was published at a time when Keynesianism had become a leading doctrine in the West to the point that many bourgeois economists came to believe that capitalism could develop without crises. It was believed that the intervention of the state-capitalist apparatus could eliminate the crises and that capitalism could grow ad infinitum. Eaton challenged this anti-scientific conception, while predicting the tendency of state-capitalism to gear toward armed conflicts. Eaton's work is also of value to us in that he exposed the reformist nature of the Labour Party with its thesis about the Western path towards socialism. The latter revolves around the postulate of the possibility of transition to socialism without subverting the private character of the ownership of the means of production, in particular and foremost in the area of industrial production. On the one hand, it shows us that the theoretical tenets displayed by modern reformism are far from innovative. On the other, it indicates that regardless of the stage of its evolution, reformism displays a tendency to accept the notion of private ownership of the main means of production in favour of monopoly capital. In this arrangement the State plays a subsidiary role with respect to production. The role of the latter and its quantitative contribution evolve in time as capitalist accumulation grows with respect to national wealth. For instance, whereas in the post-war period the concept of nationalization could have been considered even if of a subsidiary nature,¹⁸ today's Western reformism does not even dare to raise the question of nationalization of the main means of production. Eaton's work helps us structure a historical perspective of Western reformism, identifying generic features. This is essential to the analysis of the economic program of Podemos and to understand its genesis and internal logic.

“The great discovery of Keynes really amounts to no more than the observation that the general crisis of capitalism would be more tolerable if capitalism could be induced to remain in the boom phase, coupled with the observation that in this phase the fact that consumption cannot absorb the total output of industry is compensated by investment expenditure.” (John Eaton, “Marx Against Keynes”, Lawrence & Wishart Ltd, London 1951, page 89.)

The above statement is a good synthesis of the intentions and methodology of Keynesianism, as a reformist theory. Indeed, Keynes' hostility towards Marxism and the notion of socialization by the exploited (see below) is notorious. This has been noted repeatedly even by bourgeois economists and historians, something that he did not conceal in his writings and letters. Keynes' attitude towards Marx was condescending at best. The reformist agenda seems fine with that attitude towards labour and economic relations. Whether reformism acknowledges it explicitly or not, its ultimate intent is to preserve the main economic relations, i.e. the exploitation of man by man, with the illusion that the latter can be alleviated by certain means. Keynesian recipes apparently provide these certain means. The need for these illusory economic schemes clearly predates them. Despite the convoluted language and the breadth of economic questions dealt with in *General Theory*, Keynes is not able to prove the feasibility of the main proposition summarized above. He postulated that full employment could be achieved by a hypothetical investment expenditure that would cover the differential between the necessary level of demand and the purchasing power of the toiling masses. At first the statement sounds sort of logical. That said, as argued in a footnote above, this seemingly rational argument is based upon vulgar methodology. Let us leave that aside for the time for the time being. If one considers a simple

economic cycle, by injecting resources to offset the lack of demand and with which to meet the supply generated by the economic activity, one can naively expect that by the end of the cycle all the generated supply plus enhanced savings will materialize in resources that will in turn be reinvested in production, now at a higher level. Let us also assume, for the sake of argument, that by the end of the first cycle full employment has been achieved, at which point, according to Keynes, no further injection is necessary. Because by the end of the first cycle additional funds have been made available, more resources are now in the hands of the class of capitalists (and not in the hands of the State anymore). One can argue that additional resources result, even if one takes into account the array of factors considered by Keynes, in the enhancement of the ability to invest. Let us consider the simplest situation corresponding to a scheme driven by a one-time injection, which is fair, as full employment has been achieved. With the expansion of the amount of capital in money form available by the end of the first cycle due to the injection¹⁹ of additional resources, supply is enhanced. As a bourgeois economist, Keynes considers a new state of equilibrium by virtue of which the new level of supply is now consistent with the level of demand driven by the enhancement of employment (the multiplier effect). A new cycle starts. The only way for the level of demand to match the level of supply, thus retaining the condition of equilibrium, is if both the level of exploitation (rate of surplus value as defined in the first volume of *Capital*) and the level of employment remain constant. Is this a realistic assumption? Has this assumption any resemblance to how the capitalist mode of production evolves? This is where reality and illusion, science and pseudo-science, confront each other and get tested. Marx's analysis of capitalist production, which was based on an extensive collection of economic data and not on abstract schemes disconnected from economic analysis, is abundantly clear in this regard:

“The law by which a constantly increasing quantity of means of production, thanks to the advance in the productiveness of social labour, may be set in movement by a progressively diminishing expenditure of human power, this law, in a capitalist society – where the labourer does not employ the means of production, but the means of production employ the labourer – undergoes a complete inversion and is expressed thus: the higher the productiveness of labour, the greater is the pressure of the labourers on the means of employment, the more precarious, therefore, becomes their condition of existence, *viz.*, the sale of their own labour-power for the increasing of another's wealth, or for the self-expansion of capital. The fact that the means of production, and the productiveness of labour, increase more rapidly than the productive population, expresses itself, therefore, capitalistically in the inverse form that the labouring population always increases more rapidly than the conditions under which capital can employ this increase for its own self-expansion.” (Karl Marx, *Capital*, Volume I, Chapter XXV)

The development of capitalism in the era of monopoly capitalism has only exacerbated this law inherent in capitalist production. Keynes' scheme contains within itself an intrinsic contradiction. On the one hand, he concedes that under capitalism, without some sort of external intervention, the level of consumption undershoots the level of supply, leading to crises. On the other hand, in order for the scheme of the multipliers to work to overcome crises and achieve full employment, Keynes has to become oblivious to the factors that generate the imbalance between supply and demand in the first place. The fact is that State or any other form of investment cannot resolve the fundamental contradictions of capitalism, contrary to what Keynesianism so adamantly tries to argue. Keynes, and with him modern reformism, find themselves forced to cling to wishful

and conjectural thinking. Such is the essence of reformist thought with regard to capitalist production and its contradictions.

Eaton further summarizes the Keynesian recipe to achieve full employment, as a condition of equilibrium in capitalist production:

“The essence of the Keynesian theory of employment is then this: the level of employment is determined by the total, effective demand, which means total purchases of consumer goods *plus* investment expenditure. In so far as income not spent on consumption fails to be matched by expenditure on investment goods, there is a falling off of total demand and therefore of output and employment as a whole, which, of course, brings with it a reduction of incomes. In our example, total income (apart from price changes) will drop well below £10,000 million, if the decisions to save are not matched by decisions on the part of ‘entrepreneurs’ to spend on capital equipment, etc. at least as much as the intended savings (namely, £1,000 million if 10% of incomes were to be saved).” (John Eaton, “Marx Against Keynes”, Lawrence & Wishart Ltd, London 1951, page 34.)

Following up on the argument of the economic cycles stressed above, one can argue that by the end of the second cycle, the equilibrium reached by the end of the first needs to be necessarily broken by the internal dynamic of capitalist production, contrary to what reformist illusions may advocate. One is led to the logical conclusion that in order to restore the equilibrium attained by the end of the first cycle, but lost by the end of the second, the State needs to inject resources yet again, and so on with the next cycle and so forth. The action of the State resembles now that of a *perpetuum mobile*. But at the end of the day, where are the resources of the State coming from if not from the appropriation of a fraction of the surplus value generated by the working class in the course of capitalist production? Bourgeois economists would tend to disagree with this statement, in that the tax on capital gains would probably be viewed as a part of the utility of capital itself. Barring that, we arrive at yet another nonsensical situation. For the working class to possess sufficient income to generate enough consumption to absorb the available supply plus sufficient savings so that banks can finance investment, it is necessary to appropriate a fraction of the surplus value in the form of taxes to be injected back again into the market. The question arises then as to why should taxes be appropriated by the State in the first place if these are going to be injected back in the economy and be eventually placed in the hands of the capitalists. One would wonder if taxes that would be released by the State to production would instead not be appropriated by the State and be released to the markets, wouldn't the effect be the same? At the end of the day, these resources end up in capitalist production anyway. The answer to this paradox is found in yet another paradox, the postulate of multipliers. Here the postulate of the multiplier effect defies plain arithmetic.

Keynesianism operates under the assumption that the market on its own is unable to attain the desired equilibrium, not understanding that the fundamental dynamic that drives this feature is not *laissez faire* itself, but the contradictions inherent in capitalist production. Keynesianism and reformism share the illusion that mechanisms can be found to overcome the antagonistic contradictions that are rooted in production run by capital. In practice Keynesianism becomes an instrument in the hands of monopoly capital, in that not only does the latter play a prominent role in the market, but now, the state apparatus, resources and regulatory functionality also serves its

interests. Reformism advocates the illusion that the state apparatus could be used to redistribute wealth, with which to alleviate “income inequality”. However, such a proposition lacks economic foundation: the action of the State serves to further accelerate capitalist accumulation, as any form of “stimulus” ends up in the capitalist market. The illusory character of reformism lies in its inability to understand the economic processes that underlie the propositions put forward. However, there is a heavy price that is brought about by this economic discourse. The Keynesian proposition collapses under the weight of its internal aforementioned contradictions. That seems fine as far as the analysis and synthesis of his doctrine is concerned. However, there are severe practical implications to Keynesian policies, as is well summarized by Eaton’s ominous premonition:

“This for propaganda purposes is described as redistribution of wealth by means of social services – ‘the social supplement to wages.’ Applied in practice, however, in a world of monopoly capitalism these theories come out looking very different. Much surplus value goes into taxation all right, but the main ‘social service’ for which it goes is chosen by monopoly capitalism. It is war.” (John Eaton, “Marx Against Keynes”, Lawrence & Wishart Ltd, London 1951, page 65.)

Indeed, Keynesianism, or in more general terms, State interventionism, since it does not resolve the contradictions of capitalism and is set in motion to defend the economic and political interests of monopoly capital, inevitably paves the way to war via militarism. The “social service” that State interventionism provides is intended to suppress social unrest and to prevent social revolutions, not to undermine “income inequality”. As the contradictions of monopoly capital deepen, state capitalism becomes increasingly belligerent. Nazi Germany is a classical example in this regard, but far from the only one. The tendency towards militarization and instigation of armed conflicts is not solely inherent to Nazi Germany, but, rather it is an inherent feature of monopoly capital. Nazi Germany took militarism to a whole new level, but it did not invent the concept.

Keynesianism and the economic theories of fascism: the defence of private property against Marxism

Keynes’ works were well covered in the economic literature of Nazi Germany, regardless of his personal attitude towards the political forms that national-socialism adopted at the time, which we understand Keynes did not advocate. Indeed, one should not confuse the political form with the economic structure that underpins the latter. The bourgeois critique of national-socialism and its different political forms greatly ignores the economic thinking that links monopoly capital, large landowners and the militarization of the economy. In general, the bourgeois critique of fascism overlooks the relationship of the latter to private property and socialization. This shows in the argument put forward by many historians and economists with regard to Keynes’ “unintended” success in Nazi Germany. One can further argue that the bulk of the bourgeois critique of fascism is oblivious to the fact that the latter is an advocate of private property and wishes to promote reform on the basis of the capitalist mode of production. In advocating the need for private property, fascism adamantly rejects Marxism. Whether this is done with the vile disguise of anti-Semitism or in the form of the academic language of a bourgeois scholar does not fundamentally change the essence of the economic critique. Both Keynesianism and fascism

suggest reforming the capitalist system on the basis of the sanctity of the private character of the ownership of the means of production via mechanisms embodied by State interventionism.²⁰ The sympathy generated in Nazi Germany by Keynes' works is based upon the internal logic underpinning his postulates and how it fits into the historical role that fascism intends to play. In this light, it is no coincidence that the prominent British fascist and Mussolini enthusiast, James Barnes, refers so positively to Keynes:

“Fascism entirely agrees with Mr. Maynard Keynes, despite the latter's prominent position as a Liberal. In fact, Mr. Keynes' excellent little book, *The End of Laissez-Faire* (1926) might, so far as it goes, serve as a useful introduction to fascist economics. There is scarcely anything to object to in it and there is much to applaud.” (James Strachey Barnes, *Universal Aspects of Fascism*, Williams and Norgate, London, 1929, pp. 113- 114.)²¹

Many in the West have disputed the similarities of Keynes' *General Theory* with Nazi economic thinking. Proponents of Keynesianism have argued and continue to argue that such allegations concerning Keynes' sympathy, however pragmatic and non-committal, is based upon misreading his famous preface to the German edition of *General Theory* published in 1937:

“The theory of aggregated production, which is the point of the following book, nevertheless can be much easier adapted to the conditions of a totalitarian state than the theory of production and distribution of a given production put forth under conditions of free competition and a large degree of laissez-faire...

“Although I have, after all, worked it out with a view to the conditions prevailing in the Anglo-Saxon countries where a large degree of laissez-faire still prevails, nevertheless it remains applicable to situations in which state management is more pronounced.” (J. Keynes, introduction to the German edition of *General Theory of Employment, Interest, and Money*, 1937.)

Historians and economists in the Keynesian camp have argued systematically on the basis of speculation and, at times, conjecture, as to what Keynes may or may have not meant. Indeed allegations of Keynesianism, and for that matter generally speaking, theories promoting state intervention under capitalism, cannot be based on picking just a couple of paragraphs. It would untrue and shallow to accuse the critique of Keynes of building its discourse based on this assertion alone. Whether Keynes' introduction to the German edition was an unfortunate choice of words or was intentional is not essential to the Marxist critique of Keynes' economic theses. These paragraphs are not sufficient to arrive at the conclusions stated above, although we also have to disagree with proponents of Keynesianism; the choice of words was neither unfortunate nor insubstantial. Much to the contrary, this paragraph is consistent with the gist of *General Theory* and its relationship to monopoly capital. As pointed out earlier, fascism, as a form of reformism, has strong commonalities with reformism in general. With this we are referring to the relationship of reformism to monopoly capital, rather than focusing on forms intrinsic to the political superstructure of capitalism. What is of concern to Marxism in Keynes is his defence of monopoly capital and the use of the State as subsidiary to the former. The fundamental difference between reformism and socialism lies in the question of ownership of the main means of production and other capital resources, as a response to the economic crisis of capitalism.

Socialism puts forward the nationalization of monopoly capital under the auspices of the State, as an economic and historical necessity. In contrast, reformism stubbornly opposes any form of expropriation or long-term nationalization in favour of the toiling masses.²²

Keynes was clear about the essence of his *General Theory* with regard to socialist ideas, to the extent that allegations made by some neoliberal economists are blatantly misplaced. The following paragraph is an excellent summary of Keynes' views on the role of the state, and whatever is left of the concept of socialization in his economic theory.

“In some other respects the foregoing theory is moderately conservative in its implications. For whilst it indicates the vital importance of establishing certain central controls in matters which are now left in the main to individual initiative, there are wide fields of activity which are unaffected. The State will have to exercise a guiding influence on the propensity to consume partly through its scheme of taxation, partly by fixing the rate of interest, and partly, perhaps, in other ways. Furthermore, it seems unlikely that the influence of banking policy on the rate of interest will be sufficient by itself to determine an optimum rate of investment. I conceive, therefore, that a somewhat comprehensive socialisation of investment will prove the only means of securing an approximation to full employment; though this need not exclude all manner of compromises and of devices by which public authority will co-operate with private initiative. But beyond this no obvious case is made out for a system of State Socialism, which would embrace most of the economic life of the community. **It is not the ownership of the instruments of production which it is important for the State to assume.** (Our emphasis.) If the State is able to determine the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary. Moreover, the necessary measures of socialisation can be introduced gradually and without a break in the general traditions of society.” (J. Keynes, *General Theory*.)

This paragraph is particularly valuable in illustrating the fundamental tenets of the economic theories of reformism and its objective connection to the economic theories of fascism. Keynes was always explicit about his defence of capitalism and the sanctity of private property. That said, it is very important to emphasize the subtleties behind the notions of socialization and state control in the Keynesian system and how these connect well with the fascist vision. Keynes considers the “socialization of investment”. With this Keynes is referring to the prerogative of the State to intervene in the market in order to bridge the gap between demand and output. In this sense, “statization” and “socialization” are confused. The State that provides this investment is not in the hands of the exploited; much to the contrary, it serves the interests of capitalist accumulation. Therefore, one has to be extremely careful with the notion of socialization. The latter is intimately related to the notion of ownership in favour of society as a whole, as the basis for socialist production. Keynes' conception of socialization is very different from that of Marxism. This is made explicit when Keynes does not consider the ownership of the means of production as a necessary prerogative of the State. The latter should be in the hands capitalists and not owned by society through the State. In this lies the fundamental difference between the notion of socialization in reformism and in Marxism and with it the notion of economic plan.²³ Keynes' notion of socialization appears quite close to that advocated by mainstream Nazi ideology. Alfred Rosenberg, a leading ideologist for the Nazi regime, wrote in his celebrated “The Myth of the 20th Century”:

“In exactly the same way as the nationalism of the 19th century was poisoned by Marxist Liberal forces, so has this also been the case with socialism. We established, in the preceding passages, that socialism is a measure of state carried through for the protection of the entire people from all exploitation, and further, it offers a measure of state protection of the individual from private lust for profit. However, here it is not only a matter of a formal action in itself. An act becomes socialistic only in relation to its outward effect. For this reason it is possible that a socialistic action does not bring with it, as was likewise established, a formal state nationalisation, as it can, on the contrary, even signify a personification, a liberation of individual forces if this liberation brings with it a strengthening of the totality.” (Alfred Rosenberg in “The Myth of the 20th Century”, <https://archive.org/details/TheMythOfThe20thCentury>.)²⁴

Some in the neo-liberal bloc decry Keynes as a supporter of Nazism as much as an advocate of socialist ideas. For some reason neo-liberal thinkers place Nazism and Socialism in one camp, not realizing that while the first does not threaten the economic relations that monopoly capitalism is based upon, the second liquidates them. It is probably too much to ask of vulgar economists to look into the nature of economic relations, in particular, those pertaining to property, when drawing judgment with regard to the role of the State in the economy.

In fact it is a myth that the Nazi party in its economic practice curtailed the economic stamina of German industrialists in the way many in the West have claimed. In coming to power, the Nazi government systematically re-privatized assets that had been hitherto nationalized by the previous government in the light of the economic recession of 1928-1933.²⁵ These privatizations reinforced the position of large capital that, incidentally, was essential in catapulting Hitler to power. Nazism, as a form of reformism, together with Keynesianism and the reformist ideas of state regulation of capitalism, share the view that the State does not need to own the means of production in order to accomplish its mission. One can always argue back and forth that Keynes did not seem to openly advocate fascist ideology, and that he was a proponent of bourgeois liberal ideas embedded in bourgeois democracy. Some argue that Nazism’s objective was that of militarizing the economy, whereas Keynes was a proponent of enhancing demand in peaceful times to spur production. However, one would be wandering on the surface of the problem and not dealing with the fundamental questions of political economy pertaining to the role of the State in the economic theory of reformism in general, and Keynesianism in particular. Both Keynesianism and Nazism conceived the state as a means to preserve the leading role of monopoly capital with respect to the working class and the toiling masses. One can also turn the argument around and speculate that Keynesianism is a more contrived version of reformism compared to Nazism in that the former clings to the illusion that economic crises and recessions can be avoided by state intervention, and the latter, however brutal and megalomaniac, displayed an explicit vision and was open with respect to the ultimate goal in the development of monopoly capital: militarism leading to war and the enslavement of entire peoples with the intent of serving the needs of the expansion of monopoly capital. Keynesianism and modern reformism, since they refuse to undermine the economic basis of monopoly capital, inevitably become instrumental in facilitating the tendency towards militarism and foreign intervention. The fact is that today’s Western imperialism is already constantly engaged in several forms of aggression, including open military intervention. It seems as if Western imperialisms are engaged in the systematic destruction, whenever possible, of the ability of entire nations to control their own

wealth, whether by exploiting its own oil resources or eventually becoming some sort of competitor in the global market. Ultimately, with the encouragement and direct intervention in local conflicts, a wave of armed strife is sweeping entire countries. With these, infrastructure is destroyed beyond repair, livelihoods ruined and people are killed in large numbers. Entire countries are pushed back for decades, if not centuries. Tactics seem to have evolved: Whereas in the first half of the 20th century massive armed conflicts led to the physical liquidation of millions among the European toiling masses, thus drastically reducing unemployment, it seems now that the generation of armed conflicts abroad is a preferred option. Fostering armed conflicts abroad effectively destroys the ability of dependent nations to compete, letting large corporations acquire new markets unencumbered. The issue of excess of manpower or a population with insufficient disposable income is resolved in part by means of armed conflict. Militarism and armed conflicts become a natural tendency, which is a direct expression of the fact that reformism is unable to resolve the inherent antagonistic contradictions of capitalism. As has been bluntly stated many times before, it is either barbarism or Marxist socialization.

Modern reformism seems unwilling or unable to see the connection between the inevitability of militarism and armed conflict with the evolution of antagonistic contradictions that underpin monopoly capital. Take for instance Vermont Senator Sanders. Currently, Sanders is arguably the most progressive of the media candidates for the presidency of the United States. That said, how progressive is he really? Sanders, following Krugman, Stiglitz and others, does not spare scathing remarks towards Wall Street, the big capital responsible for the fact that the rich get richer and the poor get poorer, and the diminishing role of the middle class in the national income. That said, Sanders has always avoided addressing the principle by which the US finds itself in a position to sponsor war or to take part directly. Sanders endorsed the invasion of Afghanistan and may have disagreed with the Administration with regard to the continued presence of US troops not on the basis of a principled anti-war stance, but on the grounds that it is too expensive. In this regard Sanders does not sound too different from Obama during his first presidential campaign. The rest is history.

Piketty and Keynesianism

It is difficult to understand modern European reformism without evaluating Piketty's work "Capital in the 21st Century" and relevant materials that contributed to his *opus magnum*. As in Blyumin's assessment of Keynes, we do not see Piketty's relevance in the alleged scientific value of his book, but rather as an expression of the need of modern European reformism to articulate its economic theory in the epoch of the general crisis of capitalism. As Keynes in his time, Piketty has become the most celebrated economist in Europe²⁶ in a short period, not because his work represents a scientific breakthrough, but because of the particular need for vast strata of the European middle class to express their anxiety with regard to the prolonged economic crisis. Piketty encapsulates the European petty-bourgeois critique of monopoly capital in the epoch of the general crisis of capitalism. It is also why Piketty has become a darling of supposed leftist movements, such as Podemos. It was announced in September 2015 that Piketty agreed to join a group of experts who will advise Podemos in preparation for the upcoming general elections. The relevance and contribution of Piketty's book to European reformism will be described in some detail in a different section later. Here we will concentrate on the role of Keynesianism in Piketty's reformist views, as a common denominator for modern reformism.

Piketty has become popular among intellectuals and other petty bourgeois strata in the West for his unprincipled critique of monopoly capital: we are fine with capitalism; we just don't like the increasing income inequality. He surveys a vast amount of economic data to arrive at a foregone conclusion: the tendency of capital to accumulate in conjunction with sustained growth in income inequality. To a Marxist that is hardly news. In the West this message resonates due to the anxiety generated by the declining role of the middle class in the economic activity and socio-political processes. Piketty has become popular because he has denounced the growing income gap in the West, while:

1. Rejecting key Marxist economic notions, methodology, socialist nationalization and transformation.
2. Advocating the illusion that the income inequality gap can be bridged without upsetting the main economic relations through progressive taxation. The notion of exploitation is in principle accepted as long as income inequality is kept at tolerable levels.

The content of the above-mentioned propositions will be detailed in the next section with the aim of providing a comprehensive picture and will not be dealt with here in detail. In the light of the discussion on Keynesianism and interventionism, Piketty also argues that the Great Depression is a landmark for the need of state interventionism to confront the chaos induced by *laissez faire* in the era of monopoly capital. The need for market regulation in times of crises is a response to the ability of monopoly capital to rapidly engender accumulation, while being unable to prevent overproduction or to manage its consequences. Piketty maintains:

“The Great Depression, triggered by the Wall Street crash of October 1929, struck the wealthy countries with a violence that has never been repeated to this day: a quarter of the working population in the United States, Germany, Britain, and France found themselves out of work. The traditional doctrine of ‘laissez faire,’ or non-intervention by the state in the economy, to which all countries adhered in the nineteenth century and to a large extent until the early 1930s, was durably discredited. Many countries opted for a greater degree of interventionism. Naturally enough, governments and the general public questioned the wisdom of financial and economic elites who had enriched themselves while leading the world to disaster. People began to think about different types of ‘mixed’ economy, involving varying degrees of public ownership of firms alongside traditional forms of private property, or else, at the very least, a strong dose of public regulation and supervision of the financial system and of private capitalism more generally.” (T. Piketty, “Capital in the Twenty First Century”, Belknap Press, 2014, page 136.)

The Great Depression plays a critical role in the economic history of monopoly capitalism. This is a topic that has been and continues to be highly debated in the bourgeois literature. Proponents of neo-liberalism on the one hand and advocates of New Deal-style solutions to economic crises (Krugman, Stiglitz,²⁷ and why not, Piketty, etc.) on the other, have been heatedly debated over decades. It seems as if two poles emerge in economic thinking: the right (proponents of more *laissez faire* policies, neo-liberalism, even though the latter has adopted Keynesian recipes to its own benefit) and the left (proponents of starker interventionism by the state). It is not that people like Krugman, who is quite good at popularizing his ideas and connecting with the sentiments of the middle class, do not have valid points. Indeed, it is interesting to read Krugman's and

Stiglitz's rants decrying neo-liberal policies in the West and how these directly affect the sustainability of capitalism. However, the issue for the working class and Marxism is to comprehend that the Krugmans, Stiglitzs and Pikettys are in the end proponents of private ownership of the main means of production, as the backbone of what they believe is the only sustainable economic system. Their economic theories are fundamentally reformist and, to the extent that they propose economic schemes and recipes to overcome income inequality in modern capitalism, they are only superficially challenging monopoly capitalism. They advocate more regulation, as opposed to the fundamental transformation proposed by Marxism. They all converge in the condemnation of Marxist and socialist ideas for the simple reason that they do not understand economic processes other than on the basis of capitalist production. The role of the State in this scheme has already been discussed above. Piketty does not deviate from this mainstream.

As noted by Piketty in the paragraph above, in the aftermath of the Great Depression and the Second World War some level of nationalization of large industry was implemented in Europe, though under the dominance of private capital. Such notion is now rejected in principle by governments in the West (and elsewhere). The response of policy makers to the largest economic crisis in the post-war period so far has been of a different nature. Modern reformism has accommodated itself well to this new reality. Podemos' economic programme is not an exception in this respect. Piketty argues further with regard to the current crisis of capitalism:

“The main reason why the crisis of 2008 did not trigger a crash as serious as the Great Depression is that this time the governments and central banks of the wealthy countries did not allow the financial system to collapse and agreed to create the liquidity necessary to avoid the waves of bank failures that led the world to the brink of the abyss in the 1930s.” (Piketty, op cit. page 472)

The so-called State intervention triggered by the crisis of 2008 adopted a different form compared to that of the Great Depression and in the post-war period. Contrary to what many bourgeois economists want to admit, corporations are significantly more influential on policy-making today compared to the days of the Great Depression. The concept of nationalization, while contemplated and partially implemented in the 1930s and during the post-war period in some capitalist countries, even if eventually reversed, has effectively disappeared from the economic practice in the West. The practice of nationalization has been replaced by bailouts, which, as the word anticipates, entails burdening the State with balancing sick spreadsheets at the cost of taxpayer's money, without consulting the latter nor imposing rigorous guarantees of return. The State has given up any attempt to take the productive sectors of the economy under its control and to take advantage of its ability to develop investment in production. In this sense the State has become neo-liberal at its core, as has modern reformism. Piketty, despite his alleged leftist stand of denouncing income inequality, does not deviate from this trend. Nor does Podemos advocate the need to nationalize strategic sectors of the economy. This is far from a coincidence or an oversight. It is a part of the well-defined economic system of thought of modern reformism.

Indeed, liquidity generated by central banks has been instrumental in reducing the extent of the recession, but it has not been able to deal with the fundamentals. Bailouts and liquidity injections

have been generated at the cost of massive borrowing, not on the basis of renewed economic activity. It is hard to understand how Piketty finds comfort in the fact that a 1929-style crash has so far been avoided at the cost of public and private debt in many countries reaching an all-time high. The total public debt worldwide has reached about 60 trillion US dollars, double that before the 2008 crisis, and it still continues to rise. The very ability of States, especially in the West, to pay back this debt while sustaining some level of social spending is in jeopardy. Additionally, one can argue that the availability of massive resources, partially earmarked for the generation of liquidity, is also a manifestation of the depth of the general crisis of capitalism, not of capitalism's strength or of its ability to provide fundamental recovery. The rate of profit has become so low, as predicted by Marx in Volume III of *Capital*,²⁸ and the markets so saturated that the massive financial resources do not find the niche in which to engage in capitalist productive cycles with which to further self-expand. Under this strain, large resources find a haven in public bonds or simply sit around in the hope of better times. Economic crises realize themselves in the inability of capitalism to further develop the forces of production. Imagine if these vast resources, which were obtained on the basis of the appropriation of surplus value in the first place, were to be unleashed by the Socialist State. Reformism, including Piketty, does not want to see this perspective.

Piketty is careful to leave no doubt about his position on nationalization and central planning. For that purpose he condemns Soviet-style planning and socialist ideas about the role of the State. Needless to say, Piketty's understanding of "Soviet-style centralized planning" is superficial at best. He does not seem to be aware nor is he concerned with the history of the political economy of the Soviet Union. He lumps together the political economy of the Soviet Union of the 1930s-50s with that of the rest of the Soviet period. As a bourgeois scholar, he brushes off any discussion concerning planned economies as not applicable to his analysis. With statements like the following Piketty further exposes the nature of modern reformism:

"Unfortunately for the people caught up in these totalitarian experiments, the problem was that private property and the market economy do not serve solely to ensure the domination of capital over those who have nothing to sell but their labor power. They also play a useful role in coordinating the actions of millions of individuals, and it is not so easy to do without them. The human disasters caused by Soviet-style centralized planning illustrate this quite clearly." (Piketty, op. cit. pages 531-532.)

The significance of this paragraph goes far beyond eternalizing a cliché repeated ad nauseam by social-democratic and reformist thinking. It further reinforces the neo-liberal character of today's reformism. From the perspective of a bourgeois thinker, Piketty barely needs to protect himself against ill-intended interpretations. As a matter of fact, the bourgeoisie projects an image of invincibility to the extent that many believe that socialism has been overcome by History. Piketty is certainly of that opinion as well. Reading his book one barely needs any argument to defend it against any shred of Marxism. Piketty's attempt to distance himself from Marxism and the so-called "Soviet experience" is effectively directed at reassuring the reader that he is not proposing any economic reform that might fundamentally undermine monopoly capital: Watch over, somehow constrain income inequality, but don't undermine the machinery that makes monopoly capital function, perpetuate itself and expand.

Today's reformism does not seem to recognize that the fundamental causes of economic crises under capitalism lie in its inherent antagonistic contradictions, not in the ability or inability of leaders and policy makers to manage production and wealth distribution. Reformism concentrates on issues of governance, the so-called democratization of the market, "fair" taxation, corruption etc. Reformism refuses to address the fundamentals leading to economic crises head-on and thus it does not challenge the pillars of neo-liberalism. While utopian socialists and social democracy upheld the illusions of a just society based on a market of petty producers, the reformism of the 21st century dreams about democracy and equality in a market dominated by monopoly capital. Piketty's panacea to materialize this reformist ideal is taxation,²⁹ which is a form of State intervention. If one adopts a historical perspective with regard to this statement one can argue that Piketty's response to resolving the contradictions of capitalism are a transformed view of Keynesian and post-war State interventionism. It is true that Keynes was somewhat ambiguous about what State intervention entails with regard to job creation. Piketty seems more constrained, however, as modern reformism is today in the final objective of taxation with respect to production. The weakness of today's reformism regarding monopoly capital and neo-liberalism is brilliantly captured in the last chapters of Piketty's book. The author himself is honest in acknowledging the utopian character of the proposal that he refers to as a "Global Tax on Capital":

"A tax on capital would be a less violent and more efficient response to the eternal problem of private capital and its return. A progressive levy on individual wealth would reassert control over capitalism in the name of the general interest while relying on the forces of private property and competition. Each type of capital would be taxed in the same way, with no discrimination a priori, in keeping with the principle that investors are generally in a better position than the government to decide what to invest in. If necessary, the tax can be quite steeply progressive on very large fortunes, but this is a matter for democratic debate under a government of laws. A capital tax is the most appropriate response to the inequality $r > g$ as well as to the inequality of returns to capital as a function of the size of the initial stake." (T. Piketty, op. cit. page 532.)

This paragraph is quite helpful in characterizing the tenets of modern European reformism, namely:

- Acknowledgement that capitalism, if unrestrained, is not able to handle the inequality of income and capital ownership. However, not that violence per se is the issue, the implementation of measures to counter these features of monopoly capitalism should be such that they would not disrupt the basics of the latter. Economic measures for recovery should not be drastic.
- Acknowledgement that capitalism requires the implementation of some sort of "general interest", given its inability to regulate itself. However, this "general interest" should not undermine the private character of the ownership of the means of production and the commodity character of labour power. This applies to both the petty producer as much as to monopoly capital. Nationalization of assets, in any form or shape, is simply out of the question. One could also argue that, theoretically speaking, nationalization, let alone expropriation, is rendered unnatural.

- In advocating uniform taxation of capital, monopoly and foreign capital are not singled out compared to other forms of capital, such as national capital. Foreign corporations should not be taxed more than national capital. While this may not be much of an issue in the developed countries, this measure is intended at perpetuating the gap between developed countries and the rest of the world. It seems as if reformism is implicitly arguing against the growth of emerging countries and for the reinforcement of the ability of large corporations to exert their leverage. This is in line with the position pursued by neoliberalism. Western reformism inadvertently appears as chauvinistic and centred around preserving the relationship of dependence of less developed countries on more developed countries and monopoly capital. One can argue that the progressive character of taxation would burden large capital more than middle and small capital and that eventually capitals at different stages of development would evolve into heavily taxed large capital.
- The State is not able to engage, let alone drive, investment in production. It is private capital that fills the space of capital investment and production. This is a critical shift in theories of regulated capitalism that places reformism in the neo-liberal camp: it is not the State's business to interfere with productive activities. While this was precognized by Keynes' statement: "It is not the ownership of the instruments of production which it is important for the State to assume", it shows the tendency of modern reformism to sideline the role of the State in economic processes.
- The illusion is fostered that the market can be democratized and that proper governance on the basis of monopoly capitalism can lead to the reduction of income inequality.

The above list is not exhaustive, although it is sufficiently representative of the relationship between today's reformism and neoliberalism.

The right-wing, corporate critique of Piketty's recipe is interesting in its own right. This critique is, of course, not new to the extent that the proposition regarding taxation to alleviate income inequality is not new either. From the Marxist standpoint the idealist and utopian character of Piketty's proposition is pervasive. Piketty's inequality, r (rate of return) $>$ g (growth) is based upon empirical analysis, rather than on a fundamental scientific method. The above-mentioned inequality is not a law of capitalist production, but rather an observation that will be explained in the next section. That being said, while from bourgeois positions, with all the implications of the economic analysis, the attitude of corporate critique certainly has a point. Piketty concentrated on tax collection, but does not really address the issue of why g is so low in modern capitalism. From a bourgeois perspective one would not object to $r > g$ as much as to the smallness of g . A bourgeois economist would argue that a sufficiently large g is necessary to provide a minimal increment in the standards of living of the toiling masses. In the end, the petty bourgeois critique of capitalism is not really aimed at exploitation as the basis of production, but at the fact that capitalism leads to the absolute pauperization of the masses. It is understood that the income of the regular employee will decrease relative to that of the bourgeoisie. Reformism accepts that as a necessary evil. The rate of growth of developed countries is quite small, ranging somewhere between 1.5% and 2%, as corroborated by Piketty in his book. Piketty seems fine with this; in fact he goes as far as arguing that it is not really that small if one looks at the span of decades. Piketty's "Keynesianism" revolves around the redistribution of wealth by means of progressive

income and wealth tax. The rich man answers to this: “taking from some to give to others does not solve the problem”. Indeed, income inequality would be alleviated by some sort of tax-based redistribution, but the issue at stake is how to increase g . Piketty is not able to give a positive answer as to why capitalism leads towards small rates of growth. His analysis of the historical data corroborates this tendency, but he is not able to unveil the dynamic driving it, nor does he seem to be too concerned about it. Marxism gives a scientific answer to this predicament. Socialism resolves this problem by unleashing the forces of production that are constrained by the private character of the ownership of the main means of production. The socialist experience of the Soviet Union and the People’s Democracies in the 1930s- 50s that Piketty seems to be oblivious to and that the bourgeoisie hates so much, provided the proof in principle that socialist industrialization and planning leads to large sustained rates of growth. And in providing large g , the socialist character of the economy slashed income inequality, provided sustained growth of the real income of the toiling masses, and all that, on the basis of full employment and without economic crises. No wonder Piketty is so adamant about distancing himself from so-called “totalitarian experiments”.

If one looks at proponents of reformism in the middle of the 20th century, one encounters a somewhat different picture compared to the reformism of today. Let us take a notorious example such as the economist Schumpeter. In his celebrated “Capitalism, Socialism & Democracy,” Schumpeter puts forward some of the theses upheld by the ideologists of the 21st century. Schumpeter, as a reformist, is a proponent of the thesis of gradual socialization:

“We are not now discussing transitional policy in a capitalist system; that is another problem to be touched upon presently when we shall see that gradual socialization *within the framework of capitalism* is not only possible but even the most obvious thing to expect. We are discussing the completely different transitional policy which is to be pursued *after* a socialist regime has been set up by a political revolution.” (J. A. Schumpeter, “Capitalism, Socialism & Democracy,” Taylor & Francis e- Library, 2003, page 227.)

Schumpeter, and even Keynes, include some notion of socialization in their economic discourse. It is not a genuine concept, however, as one can argue that some transfer of the productive system occurs within their economic thought. This is now absent in today’s reformism. Today’s reformism implicitly admits the superiority of monopoly capital over any other form of economic organization. The notion of socialization is rendered obsolete, as the State is viewed as an instrument of supervision and generator of social welfare, rather than an active agent of production. In this sense the role of the working class and the toiling masses in political economy is effectively liquidated. Instead one is left to hope that the economic laws of monopoly capital can be somehow subdued by democratic debate, leading to fair taxation. The political economy of capitalism is reduced to a problem of income re-distribution in a framework where such redistribution has no sound economic foundation. This illusory thesis was already put forward in the 19th century, and yet the economic history of modern capitalism since then, as Piketty himself has corroborated in his book, has demonstrated that the dynamic that governs the evolution of income and capital inequality cannot be explained by wishful thinking, but by the brutal logic of the economic laws of monopoly capital. From the standpoint of Marxism it is absurd to think that income can be re-distributed in a system that is based upon the appropriation of surplus value. This is why Marxism proposes the replacement of the economic relations that

lead to the appropriation of surplus value. Piketty's historical survey should in fact serve as yet another demonstration that the theses of reformism are delusional and lack scientific bases. On what grounds will monopoly capital yield to a global tax that will dwindle when it is stronger than ever if it is not under the pressure of massive movements of national liberation and the construction of socialism?

Footnotes:

1. It is probably reasonable to note that the concept of caste, as a social stratum somewhat distinct from that of class, was introduced by Trotsky and was widely used in his book "Revolution Betrayed". One wonders as to the ideological genesis of some of the leaders of Podemos.
2. Keynesianism in the sense considered here refers mainly to the celebrated work *The General Theory of Employment, Interest and Money* published in 1936. Neo-Keynesianism is a term that appears in bourgeois economic literature and it embraces a variety of interpretations of the Keynesian work and its relevance to modern monopoly capitalism. It is beyond the scope of this work to classify these various interpretations.
3. For the sake of being rigorous, it is relevant to note that we are not referring to the dialectical approach towards economic categories, but rather their metaphysical interpretation outside the boundaries of the dialectical method.
4. This question will be dealt with more below when analyzing Piketty's contribution to the economics of reformism.
5. It is widely known that Richard Kahn, in his article "The Relation of Home Investment to Unemployment", initially suggested the postulate of multipliers, in a form that is generally adopted, and eventually, somewhat modified by Keynes in *General Theory*.
6. Given a change of income in wage-units, ΔY_w and the change of investment in the same units, ΔI_w , Keynes defines the investment multiplier, k , as $\Delta Y_w = k \Delta I_w$. It follows from this that the marginal propensity to consume is equal to $1 - 1/k$. It is postulated as a condition of stability that $k > 1$. No demonstration as to why $k > 1$ is given by Keynes. Keynes in Chapter 18 of *General Theory* states: "Finally, if we assume (as a first approximation) that the employment multiplier is equal to the investment multiplier, we can, by applying the multiplier to the increment (or decrement) in the rate of investment, infer the increment of employment." Just like that, by means of the postulation of a multiplier, employment is created given an increment of investment. This equation superficially connects two different economic categories, disregarding the complex chain that links them in the capitalist mode of production. By ignoring this connection and, with it, the inherent contradictions of capitalist production, the vulgar economist subsequently arrives at the conclusion that full employment can be reached under capitalism. What happens to the multiplier equation if the increment in investment is intended to further enhance mechanization by which workers become redundant?

7. <http://blogs.publico.es/dominiopublico/12280/insuficiencias-de-los-indicadores-economicos-para-medir-el-bienestar-popular-el-caso-de-ee-uu-y-espana/>

8. Mark Leff in his book “The Limits of Symbolic Reform”, Cambridge University Press 1984, writes: “By no stretch of the imagination was the New Deal tax system a vehicle for broad income redistribution to lift up those at the bottom of the economic pyramid.”

9. To put it in context, this was commensurable to the size of the US federal government budget in 1930.

10. Keynes postulated that with increased employment the real wages of the working class tend to decrease.

11. Generally speaking, positive rates of growth of the GDP under capitalism are not necessarily connected with the increase of purchasing power of the working class.

12. One has to be cautious with positive statements regarding net employment creation on account of the complexity of practices in US labour statistics.

13. Keynes’ main work, *The General Theory of Employment, Interest and Money*, was published in Russian in the Soviet Union in 1948. The introduction to the Soviet edition was written by I.G. Blyumin (see below).

14. For Western reviews of Soviet literature on Keynes see C. B. Turner, “An Analysis of Soviet views of John Maynard Keynes”, Durham N.C., Duke University Press, 1969 and J.M. Letiche, “Soviet Views on Keynes: A Review Article Surveying the Literature”, *Journal of Economic Literature*, Vol. 9, No. 2, 1971 pages 442-458. These authors examine from bourgeois positions the evolution of Soviet literature on the subject, indicating the change of tone in the period of 1949-1956 to 1956-1963. Further examination of Soviet literature of a later period reveals that the critique of Keynes becomes increasingly liberal and, for the most part, essentially academic.

15. Blyumin is certainly the most prominent economist who reported on Keynesianism. That having been said, there are other important works on the subject, such as “J.M. Keynes – an ideologist of monopoly capitalism” by V.S. Volodin in 1953 and “Critique of the theory of regulated capitalism” by L.B. Alter in 1957.

16. Soviet publications since the late 1950s stripped away references to Stalin. This became more evident with the reprint of works published in earlier periods.

17. The book by John Eaton was published in the Soviet Union by Izdatelstvo Inostrannoi Literatury, Moscow, 1958.

18. Partial nationalization of British industry took place after the Second World War, of course, under the dominance of monopoly capital. Nationalization under capitalism and under the transition to socialism should not be confused. Eventually, massive privatizations were implemented in the 1980s. Contrary to what Navarro argues above, Britain did not become either

more or less socialist as a result. In this process the Labour Party felt that a commitment towards nationalization was no longer essential. An important milestone to arrive at this realization was the publication in 1956 of “The Future of Socialism” by Anthony Crosland.

19. In principle, by the end of the first cycle the amount of capital in money form has increased because of the appropriation of surplus value. This happens with or without the injection of additional resources by the State considered by Keynes. Needless to say, Keynes is oblivious to the concept of surplus value. Instead he is concerned with the notion of marginal capital efficiency. See Chapter 11 of *General Theory* for the definition.

20. A good article by bourgeois scholars on the subject of the relationship between the Nazi regime and large capital can be found in: “The Role of Private Property in the Nazi Economy: The Case of Industry” by C. Buchheim and Schemer, *The Journal of Economic History* Vol. 66, No. 2 (2006). One can read “An important question treated in this article is why the Nazi state – unlike the Soviet Union to which it is sometimes compared – refrained from widespread nationalization of industry. In view of the violence displayed by the regime otherwise it can be taken for granted that the reason was not any respect for private property as a fundamental human and civil right” (page 391).

21. Keynes writes in his pamphlet “The End of Laissez-Faire”: “These reflections have been directed towards possible improvements in the technique of modern capitalism by the agency of collective actions. There is nothing in them which is seriously incompatible with what seems to me the essential characteristic of capitalism, namely the dependence upon an intense appeal to the money-making and money-loving instincts of individuals as the main motive force of the economic machine.”

22. Nationalization of private assets is not unheard of during economic crises. The Great Depression in the US was an emblematic example of how the State takes charge of some industries and banks, only to eventually re-sell assets back to private hands. In recent times the capitalist State prefers to bail out, rather than to nationalize.

23. Nazi Germany established four-year economic plans. Many bourgeois economists and historians have used this fact to establish analogies between Nazi Germany and the Soviet Union. The economic nature, structure and organic composition of these plans are radically different.

24. It is interesting to consider how the so-called left of the NSDAP, a more idealistic trend of national-socialism, implemented anti-capitalist rhetoric. It is well known that Hitler fought vigorously against this tendency in the 1920s, as he had the interests of big capital in mind. Otto Strasser, who was eventually prosecuted by the Nazi authorities, wrote: “Our second step was to work out an economic, political and cultural programme. In the economic field it was opposed to Marxism and capitalism. We foresaw a new equilibrium on a basis of state feudalism. The state was to be the sole owner of the land, which it would lease to private citizens. All were to be free to do as they liked, but no one could sell or sublet state property. In this way we hoped to combat the proletarian nation and to restore a sense of liberty to our fellow citizens. No man is free who is not economically independent.” (Otto Strasser, in “Hitler and I”, Boston, 1940, page 81.)

There is little need to address the concept of “state feudalism”, as it is deprived of scientific substantiation. What is relevant here is that the so-called left in the national-socialist movement is also a staunch foe of Marxist socialization. Bourgeois and reformist propaganda has made and continues to make attempts to establish analogies between variations of the ideology of national-socialism and Marxism. This lacks basis and it is slanderous for the lack of a better word. In fact quite the opposite allegation regarding the bourgeois, pro-business nature of national-socialism applies.

25. For a review of the German “reprivatisierung” implemented by the Nazi government see Germa Bel, “Against the mainstream: Nazi privatization in 1930s Germany,” *The Economic History Review*, 2009.

26. Piketty’s book, *Capital in the 21st century* has already sold about 2.5 million copies worldwide. He has become a sort of celebrity even among those who have not read the book.

27. Stiglitz, a Nobel Prize winner, can be relatively radical with regard to the state of the US economy and the role of big capital. That said, as a bourgeois reformist economist he has a clear vision of the role of the State in generating positive transformation of capitalism. In his celebrated book “The Price of Inequality: How Today’s Divided Society Endangers Our Future,” he writes: “The most important role of government, however, is setting the basic rules of the game, through laws such as those that encourage or discourage unionization, corporate governance laws that determine the discretion of management, and competition laws that should limit the extent of monopoly rents. As we have already noted, almost every law has distributive consequences, with some groups benefiting, typically at the expense of others. And these distributive consequences are often the most important effects of the policy or program.” He becomes more concrete as to the role that State investment should be restricted to: “Government investments—in infrastructure, education, and technology—underpinned growth in the last century, and they can form the basis of growth in this century. These investments will expand the economy and make private investment even more attractive.”

28. We will see in the next section that Piketty disagrees with Marx’s prediction about the tendency of the rate of profit to fall as an economic law of capitalism. We will also see that the very economic data that he uses in his analysis corroborates Marx’s prediction.

29. The postulate of taxation to alleviate income inequality is far from new in the history of economic thought. For Piketty it plays a central role. This will be detailed further in the next section.