

Self-presentation: The finance minister of the new Greek government by himself

We “must try to save European capitalism from itself”

Saturday 28 February 2015 (Date first published: 18 February 2015).

Before he entered politics, Yanis Varoufakis [who is not member of Syriza] , the iconoclastic Greek finance minister at the centre of the latest eurozone standoff, wrote this searing account of European capitalism and and how the left can learn from Marx’s mistakes

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In 2008, capitalism had its second global spasm. The financial crisis set off a chain reaction that pushed Europe into a downward spiral that continues to this day. Europe’s present situation is not merely a threat for workers, for the dispossessed, for the bankers, for social classes or, indeed, nations. No, Europe’s current posture poses a threat to civilisation as we know it.

If my prognosis is correct, and we are not facing just another cyclical slump soon to be overcome, the question that arises for radicals is this: should we welcome this crisis of European capitalism as an opportunity to replace it with a better system? Or should we be so worried about it as to embark upon a campaign for stabilising European capitalism?

To me, the answer is clear. Europe’s crisis is far less likely to give birth to a better alternative to capitalism than it is to unleash dangerously regressive forces that have the capacity to cause a humanitarian bloodbath, while extinguishing the hope for any progressive moves for generations to come.

For this view I have been accused, by well-meaning radical voices, of being “defeatist” and of trying to save an indefensible European socioeconomic system. This criticism, I confess, hurts. And it hurts because it contains more than a kernel of truth.

I share the view that this European Union is typified by a large democratic deficit that, in combination with the denial of the faulty architecture of its monetary union, has put Europe’s peoples on a path to permanent recession. And I also bow to the criticism that I have campaigned on an agenda founded on the assumption that the left was, and remains, squarely defeated. I confess I would much rather be promoting a radical agenda, the raison d’être of which is to replace European capitalism with a different system.

Yet my aim here is to offer a window into my view of a repugnant European capitalism whose implosion, despite its many ills, should be avoided at all costs. It is a confession intended to convince radicals that we have a contradictory mission: to arrest the freefall of European capitalism in order to buy the time we need to formulate its alternative.

Why a Marxist?

When I chose the subject of my doctoral thesis, back in 1982, I deliberately focused on a highly mathematical topic within which Marx's thought was irrelevant. When, later on, I embarked on an academic career, as a lecturer in mainstream economics departments, the implicit contract between myself and the departments that offered me lectureships was that I would be teaching the type of economic theory that left no room for Marx. In the late 1980s, I was hired by the University of Sydney's school of economics in order to keep out a leftwing candidate (although I did not know this at the time).

After I returned to Greece in 2000, I threw my lot in with the future prime minister George Papandreou, hoping to help stem the return to power of a resurgent right wing that wanted to push Greece towards xenophobia both domestically and in its foreign policy. As the whole world now knows, Papandreou's party not only failed to stem xenophobia but, in the end, presided over the most virulent neoliberal macroeconomic policies that spearheaded the eurozone's so-called bailouts thus, unwittingly, causing the return of Nazis to the streets of Athens. Even though I resigned as Papandreou's adviser early in 2006, and turned into his government's staunchest critic during his mishandling of the post-2009 Greek implosion, my public interventions in the debate on Greece and Europe have carried no whiff of Marxism.

Given all this, you may be puzzled to hear me call myself a Marxist. But, in truth, Karl Marx was responsible for framing my perspective of the world we live in, from my childhood to this day. This is not something that I often volunteer to talk about in "polite society" because the very mention of the M-word switches audiences off. But I never deny it either. After a few years of addressing audiences with whom I do not share an ideology, a need has crept up on me to talk about Marx's imprint on my thinking. To explain why, while an unapologetic Marxist, I think it is important to resist him passionately in a variety of ways. To be, in other words, erratic in one's Marxism.

If my whole academic career largely ignored Marx, and my current policy recommendations are impossible to describe as Marxist, why bring up my Marxism now? The answer is simple: Even my non-Marxist economics was guided by a mindset influenced by Marx.

A radical social theorist can challenge the economic mainstream in two different ways, I always thought. One way is by means of immanent criticism. To accept the mainstream's axioms and then expose its internal contradictions. To say: "I shall not contest your assumptions but here is why your own conclusions do not logically flow on from them." This was, indeed, Marx's method of undermining British political economics. He accepted every axiom by Adam Smith and David Ricardo in order to demonstrate that, in the context of their assumptions, capitalism was a contradictory system. The second avenue that a radical theorist can pursue is, of course, the construction of alternative theories to those of the establishment, hoping that they will be taken seriously.

My view on this dilemma has always been that the powers that be are never perturbed by theories that embark from assumptions different to their own. The only thing that can destabilise and genuinely challenge mainstream, neoclassical economists is the demonstration of the internal inconsistency of their own models. It was for this reason that, from the very beginning, I chose to delve into the guts of neoclassical theory and to spend next to no energy trying to develop

alternative, Marxist models of capitalism. My reasons, I submit, were quite Marxist.

When called upon to comment on the world we live in, I had no alternative but to fall back on the Marxist tradition which had shaped my thinking ever since my metallurgist father impressed upon me, when I was still a child, the effect of technological innovation on the historical process. How, for instance, the passage from the bronze age to the iron age sped up history; how the discovery of steel greatly accelerated historical time; and how silicon-based IT technologies are fast-tracking socioeconomic and historical discontinuities.

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

Marx created a narrative populated by workers, capitalists, officials and scientists who were history's dramatis personae. They struggled to harness reason and science in the context of empowering humanity while, contrary to their intentions, unleashing demonic forces that usurped and subverted their own freedom and humanity.

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

A major reason why established opinion fails to come to terms with contemporary reality is that it never understood the dialectically tense "joint production" of debts and surpluses, of growth and unemployment, of wealth and poverty, indeed of good and evil. Marx's script alerted us these binary oppositions as the sources of history's cunning.

From my first steps of thinking like an economist, to this very day, it occurred to me that Marx had made a discovery that must remain at the heart of any useful analysis of capitalism. It was the discovery of another binary opposition deep within human labour. Between labour's two quite different natures: i) labour as a value-creating activity that can never be quantified in advance (and is therefore impossible to commodify), and ii) labour as a quantity (eg, numbers of hours worked) that is for sale and comes at a price. That is what distinguishes labour from other productive inputs such as electricity: its twin, contradictory, nature. A differentiation-cum-contradiction that political economics neglected to make before Marx came along and that mainstream economics is steadfastly refusing to acknowledge today.

Both electricity and labour can be thought of as commodities. Indeed, both employers and workers struggle to commodify labour. Employers use all their ingenuity, and that of their HR management minions, to quantify, measure and homogenise labour. Meanwhile, prospective employees go through the wringer in an anxious attempt to commodify their labour power, to write and rewrite their CVs in order to portray themselves as purveyors of quantifiable labour units. And there's the rub. If workers and employers ever succeed in commodifying labour fully, capitalism will perish. This is an insight without which capitalism's tendency to generate crises can never be fully grasped and, also, an insight that no one has access to without some exposure to Marx's thought.

Science fiction becomes documentary

In the classic 1953 film *Invasion of the Body Snatchers*, the alien force does not attack us head on, unlike in, say, HG Wells's *The War of the Worlds*. Instead, people are taken over from within, until nothing is left of their human spirit and emotions. Their bodies are shells that used to contain a free will and which now labour, go through the motions of everyday "life", and function as human simulacra "liberated" from the unquantifiable essence of human nature. This is something like what would have transpired if human labour had become perfectly reducible to human capital and thus fit for insertion into the vulgar economists' models.

Every non-Marxist economic theory that treats human and non-human productive inputs as interchangeable assumes that the dehumanisation of human labour is complete. But if it could ever be completed, the result would be the end of capitalism as a system capable of creating and distributing value. For a start, a society of dehumanised automata would resemble a mechanical watch full of cogs and springs, each with its own unique function, together producing a "good": timekeeping. Yet if that society contained nothing but other automata, timekeeping would not be a "good". It would certainly be an "output" but why a "good"? Without real humans to experience the clock's function, there can be no such thing as "good" or "bad".

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

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

At a time when neoliberals have ensnared the majority in their theoretical tentacles, incessantly regurgitating the ideology of enhancing labour productivity in an effort to enhance competitiveness with a view to creating growth etc, Marx's analysis offers a powerful antidote. Capital can never win in its struggle to turn labour into an infinitely elastic, mechanised input, without destroying itself. That is what neither the neoliberals nor the Keynesians will ever grasp. "If the whole class of the wage-labourer were to be annihilated by machinery", wrote Marx "how terrible that would be for capital, which, without wage-labour, ceases to be capital!"

What has Marx done for us?

Almost all schools of thought, including those of some progressive economists, like to pretend that, though Marx was a powerful figure, very little of his contribution remains relevant today. I beg to differ. Besides having captured the basic drama of capitalist dynamics, Marx has given me the tools with which to become immune to the toxic propaganda of neoliberalism. For example, the idea that wealth is privately produced and then appropriated by a quasi-illegitimate state, through taxation, is easy to succumb to if one has not been exposed first to Marx's poignant argument that precisely the opposite applies: wealth is collectively produced and then privately appropriated through social relations of production and property rights that rely, for their reproduction, almost exclusively on false consciousness.

In his recent book *Never Let a Serious Crisis Go to Waste*, the historian of economic thought, Philip Mirowski, has highlighted the neoliberals' success in convincing a large array of people that markets are not just a useful means to an end but also an end in themselves. According to this view, while collective action and public institutions are never able to "get it right", the unfettered operations of decentralised private interest are guaranteed to produce not only the right outcomes but also the right desires, character, ethos even. The best example of this form of neoliberal crassness is, of course, the debate on how to deal with climate change. Neoliberals have rushed in to argue that, if anything is to be done, it must take the form of creating a quasi-market for "bads" (eg an emissions trading scheme), since only markets "know" how to price goods and bads appropriately. To understand why such a quasi-market solution is bound to fail and, more importantly, where the motivation comes from for such "solutions", one can do much worse than to become acquainted with the logic of capital accumulation that Marx outlined and the Polish economist Michal Kalecki adapted to a world ruled by networked oligopolies.

In the 20th century, the two political movements that sought their roots in Marx's thought were the communist and social democratic parties. Both of them, in addition to their other errors (and, indeed, crimes) failed, to their detriment, to follow Marx's lead in a crucial regard: instead of embracing liberty and rationality as their rallying cries and organising concepts, they opted for equality and justice, bequeathing the concept of freedom to the neoliberals. Marx was adamant: The problem with capitalism is not that it is unfair but that it is irrational, as it habitually condemns whole generations to deprivation and unemployment and even turns capitalists into angst-ridden automata, living in permanent fear that unless they commodify their fellow humans fully so as to serve capital accumulation more efficiently, they will cease to be capitalists. So, if capitalism appears unjust this is because it enslaves everyone; it wastes human and natural resources; the same production line that pumps out remarkable gizmos and untold wealth, also produces deep unhappiness and crises.

Having failed to couch a critique of capitalism in terms of freedom and rationality, as Marx thought essential, social democracy and the left in general allowed the neoliberals to usurp the mantle of freedom and to win a spectacular triumph in the contest of ideologies.

Perhaps the most significant dimension of the neoliberal triumph is what has come to be known as the "democratic deficit". Rivers of crocodile tears have flowed over the decline of our great democracies during the past three decades of financialisation and globalisation. Marx would have laughed long and hard at those who seem surprised, or upset, by the "democratic deficit". What was the great objective behind 19th-century liberalism? It was, as Marx never tired of pointing out, to separate the economic sphere from the political sphere and to confine politics to the latter while leaving the economic sphere to capital. It is liberalism's splendid success in achieving this long-held goal that we are now observing. Take a look at South Africa today, more than two decades after

Nelson Mandela was freed and the political sphere, at long last, embraced the whole population. The ANC's predicament was that, in order to be allowed to dominate the political sphere, it had to give up power over the economic one. And if you think otherwise, I suggest that you talk to the dozens of miners gunned down by armed guards paid by their employers after they dared demand a wage rise.

Why erratic?

Having explained why I owe whatever understanding of our social world I may possess largely to Karl Marx, I now want to explain why I remain terribly angry with him. In other words, I shall outline why I am by choice an erratic, inconsistent Marxist. Marx committed two spectacular mistakes, one of them an error of omission, the other one of commission. Even today, these mistakes still hamper the left's effectiveness, especially in Europe.

Marx's first error - the error of omission was that he failed to give sufficient thought to the impact of his own theorising on the world that he was theorising about. His theory is discursively exceptionally powerful, and Marx had a sense of its power. So how come he showed no concern that his disciples, people with a better grasp of these powerful ideas than the average worker, might use the power bestowed upon them, via Marx's own ideas, in order to abuse other comrades, to build their own power base, to gain positions of influence?

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

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

If I am right, Marx knew what he was doing. He understood, or had the capacity to know, that a comprehensive theory of value cannot be accommodated within a mathematical model of a dynamic capitalist economy. He was, I have no doubt, aware that a proper economic theory must respect the idea that the rules of the undetermined are themselves undetermined. In economic terms this meant a recognition that the market power, and thus the profitability, of capitalists was not necessarily reducible to their capacity to extract labour from employees; that some capitalists can extract more from a given pool of labour or from a given community of consumers for reasons that are external to Marx's own theory.

Alas, that recognition would be tantamount to accepting that his "laws" were not immutable. He would have to concede to competing voices in the trades union movement that his theory was

indeterminate and, therefore, that his pronouncements could not be uniquely and unambiguously correct. That they were permanently provisional. This determination to have the complete, closed story, or model, the final word, is something I cannot forgive Marx for. It proved, after all, responsible for a great deal of error and, more significantly, authoritarianism. Errors and authoritarianism that are largely responsible for the left's current impotence as a force of good and as a check on the abuses of reason and liberty that the neoliberal crew are overseeing today.

Mrs Thatcher's lesson

I moved to England to attend university in September 1978, six months or so before Margaret Thatcher's victory changed Britain forever. Watching the Labour government disintegrate, under the weight of its degenerate social democratic programme, led me to a serious error: to the thought that Thatcher's victory could be a good thing, delivering to Britain's working and middle classes the short, sharp shock necessary to reinvigorate progressive politics; to give the left a chance to create a fresh, radical agenda for a new type of effective, progressive politics.

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

The reality was, however, painfully different. With every turn of the recession's screw, the left became more introverted, less capable of producing a convincing progressive agenda and, meanwhile, the working class was being divided between those who dropped out of society and those co-opted into the neoliberal mindset. My hope that Thatcher would inadvertently bring about a new political revolution was well and truly bogus. All that sprang out of Thatcherism were extreme financialisation, the triumph of the shopping mall over the corner store, the fetishisation of housing and Tony Blair.

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

The lesson Thatcher taught me about the capacity of a long-lasting recession to undermine progressive politics, is one that I carry with me into today's European crisis. It is, indeed, the most important determinant of my stance in relation to the crisis. It is the reason I am happy to confess to the sin I am accused of by some of my critics on the left: the sin of choosing not to propose radical political programs that seek to exploit the crisis as an opportunity to overthrow European capitalism, to dismantle the awful eurozone, and to undermine the European Union of the cartels and the bankrupt bankers.

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

A Greek or a Portuguese or an Italian exit from the eurozone would soon lead to a fragmentation of European capitalism, yielding a seriously recessionary surplus region east of the Rhine and north of the Alps, while the rest of Europe would be in the grip of vicious stagflation. Who do you think would benefit from this development? A progressive left, that will rise Phoenix-like from the ashes of Europe's public institutions? Or the Golden Dawn Nazis, the assorted neofascists, the xenophobes and the spivs? I have absolutely no doubt as to which of the two will do best from a disintegration of the eurozone.

I, for one, am not prepared to blow fresh wind into the sails of this postmodern version of the 1930s. If this means that it is we, the suitably erratic Marxists, who must try to save European capitalism from itself, so be it. Not out of love for European capitalism, for the eurozone, for Brussels, or for the European Central Bank, but just because we want to minimise the unnecessary human toll from this crisis.

What should Marxists do?

Europe's elites are behaving today as if they understand neither the nature of the crisis that they are presiding over, nor its implications for the future of European civilisation. Atavistically, they are choosing to plunder the diminishing stocks of the weak and the dispossessed in order to plug the gaping holes of the financial sector, refusing to come to terms with the unsustainability of the task.

Yet with Europe's elites deep in denial and disarray, the left must admit that we are just not ready to plug the chasm that a collapse of European capitalism would open up with a functioning socialist system. Our task should then be twofold. First, to put forward an analysis of the current state of play that non-Marxist, well meaning Europeans who have been lured by the sirens of neoliberalism, find insightful. Second, to follow this sound analysis up with proposals for stabilising Europe - for ending the downward spiral that, in the end, reinforces only the bigots.

Let me now conclude with two confessions. First, while I am happy to defend as genuinely radical the pursuit of a modest agenda for stabilising a system that I criticise, I shall not pretend to be enthusiastic about it. This may be what we must do, under the present circumstances, but I am sad that I shall probably not be around to see a more radical agenda being adopted.

My final confession is of a highly personal nature: I know that I run the risk of, surreptitiously, lessening the sadness from ditching any hope of replacing capitalism in my lifetime by indulging a feeling of having become agreeable to the circles of polite society. The sense of self-satisfaction from being feted by the high and mighty did begin, on occasion, to creep up on me. And what a non-radical, ugly, corruptive and corrosive sense it was.

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

Radical confessions, like the one I have attempted here, are perhaps the only programmatic antidote to ideological slippage that threatens to turn us into cogs of the machine. If we are to forge alliances

with our political adversaries we must avoid becoming like the socialists who failed to change the world but succeeded in improving their private circumstances. The trick is to avoid the revolutionary maximalism that, in the end, helps the neoliberals bypass all opposition to their self-defeating policies and to retain in our sights capitalism's inherent failures while trying to save it, for strategic purposes, from itself.

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P.S.

* "How I became an erratic Marxist". The Guardian, Wednesday 18 February 2015 06.00 GMT Last modified on Wednesday 18 February 2015 11.54 GMT:

<http://www.theguardian.com/news/2015/feb/18/yanis-varoufakis-how-i-became-an-erratic-marxist>

* This article is adapted from a lecture originally delivered at the 6th Subversive Festival in Zagreb in 2013.