

The “Democratise Europe” Project. A European Movement, A Coalition of Citizens. Interview with Yanis Varoufakis

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As he prepares to launch a new, pan-European movement for change, Yanis Varoufakis sits down with Can Europe make it? to discuss democracy in Europe, Brexit, and the other part of Plan X.

Alex Sakalis: I'm very interested in this transnational, pan-European movement you are preparing to launch, the details of which you've been teasing us with...

Yanis Varoufakis: I'm not teasing you. It's just that it takes time to establish.

AS: What forces are you hoping to bring together with this pan-European movement?

YV: It began as an idea after the crushing of what I call the Athens spring, which happened in the summer. It became abundantly clear that at the level of the nation-state you can't even table proposals regarding your own country, let alone proposals for the eurozone as a whole. I experienced the Eurogroup at very close quarters and it was obvious that it was not a forum in which to discuss how to stabilise the European social economy, or how to democratise it. That is just impossible - it can't be done.

So you know when our government effectively overthrew itself - for this is what we did - we overthrew ourselves, our programme...

AS: A self-coup?

YV: Yes, but that of course was precisely the intention of the troika. That is what they really enjoy doing. Making us not only renege on everything we said, but also forcing us to be the ones who must implement the very programme we loathed and which we were elected to challenge.

So once this happened, the only question was: was it worth starting something afresh in Greece? To have another go? Another bite of the cherry? And my conclusion was that the answer to that is no. What would be the point of starting another campaign for two years - that is how long it would take - just to return to where we were, where I was, one up against eighteen?

If my diagnosis is correct, what is going on in Greece is simply a reflection - an echo - of a far deeper crisis throughout the eurozone, which cannot be solved at any national or member-state level. The obvious conclusion one must draw from this is that either you

argue for a dissolution of the monetary union, and then you can talk about national politics again quite sensibly. Or you should be talking about a pan-European movement for change throughout the eurozone. It is one or the other.

Now the former appeals to many. And this is a debate which is happening in Britain as well, outside the monetary union but within the European Union. It doesn't appeal to me. Not because I have any illusions about Brussels, Frankfurt and the European Union. I have written extensively and spoken out extensively against the very DNA of the European Union. However it is one thing to criticise a set of institutions like the European Union, criticise the way it was put together and the way it functions. It is quite another thing to argue that it should be dismantled. This is what we call in mathematics, *hysteresis*. The path that you take to somewhere, once you get to that somewhere, doesn't exist any more. We can't just turn around upon the original path and find ourselves outside where we used to be. So we have walked this path towards a particular union, however toxic it might be, and if we try to step back from it, we are going to fall off a cliff.

That is my view. It is exactly what happened in the 1920s. There was a union at that time. It wasn't formalised but it was very strong. It was the gold standard. Its fragmentation brought about apocalyptic human losses and I very much fear that we would have the same thing now.

Therefore, I followed my own thinking through to the extent that I can, logically, and reached the conclusion that a pan-European movement is the only solution. It sounds utopian, but this idea cemented in my mind in August when I started travelling across Europe, and realised that there was a great deal of hunger and thirst everywhere I went for such an idea.

People would come to listen to me in their thousands, not because they so much wanted to lend solidarity to Greece, or to me, but just because the experience of this negotiation between Greece and the troika hit a nerve everywhere. And the people who come to listen and to discuss with me and my colleagues are worried about themselves, their own countries, Europe. So I put two and two together and end up with the conclusion, at least for me personally, that the only thing that is worth fighting for is this coalescence at the European level with one very simple, but radical, idea: to democratise Europe.

People might say, "pah, Europe is democratic." No it is not. Not democratic at all. So to democratise it is actually a very radical idea that goes against every fibre in the body and soul of those people in Brussels.

AS: Tell us more about who you have been speaking to so far in your travels who you hope to bring onto this pan-European platform?

YV: This is one reason, in my view, why this should be a movement, and not a party and not an elite. This is not about giving you a list, a roll call of significant politicians. If it's a movement it has to be a grassroots movement. So I have just come back from Coimbra in Portugal. Before that I was in Barcelona with the magnificent new mayor, Ada Colau, who is working together with me on this. In France there are lots of people, a very wide range of people who are interested: academics, activists, unionists, politicians. [Arnaud Montebourg](#) is one person who is definitely on board. We have people from Die Linke, from the Social Democratic Party in Germany, and very good, genuinely good people from the [Kreisky Forum](#) in Austria. So as I said before, I'm not teasing: it takes some time before we can

launch this.

AS: Would any of these people be in favour of leaving the EU? Would you include people who have arrived at that different judgment in your movement?

YV: Well, I don't believe in a Leninist kind of party where you create the parameters in advance and then people are allowed in in order to serve them. I don't think that people who want to leave the EU would be drawn to this, because this would be a movement about democratising Europe. There may be, and there will be a lot of discussion about currency, about what happens when we have a repetition of the experience that I had, being told that either you accept the established order of things or it's the highway for you. So there will be no preset position on currencies except that there will be no preset position either in favour of getting out of the eurozone.

My view personally, and I keep repeating this, is that it is politically a mistake and financially an error to start planning for the dissolution of the eurozone as something which you want to achieve. We shouldn't be scared of threats that we will be thrown out of the eurozone. But that's a different story.

AS: So would Jeremy Corbyn's Labour Party be welcome to join your movement?

YV: Absolutely. But you see it is important to make this point. This is not going to be a coalition of parties. It should be a coalition of citizens. They can belong to any party they want. This will not admit parties into it. It is not a party and it is not an alliance of parties. The idea is to create a grassroots movement across Europe of European citizens interested in democratising Europe. They can belong to any party. Of course they will be involved in other campaigns in their local communities, in their member states, in their nations. Maybe you will have people from different parties from the same country. I can easily imagine that, and actually I would like that. Because if the idea is not to replicate national politics, why can't you have that? But personally, I count a lot on the Corbynites.

AS: Are you drawing up a manifesto?

YV: Yes. This is what we're working on.

AS: Who's writing it?

YV: I'm not going to give you names, and we will not sign it when we launch it. It will be a free floating text.

AS: Can you give us an estimated release date?

YV: It will be before Christmas.

AS: In the UK we are facing this referendum on whether we should leave or whether we should stay. openDemocracy has been discussing how this will be framed in the media and we think it may come down to something like this: "do we love business more than we hate immigrants, or do we hate immigrants more than we love business?"

YV: That's an interesting way of putting it.

AS: But this is not the debate we should be having about Europe. This is quite an incredible,

epochal choice the UK is faced with. How would you like to see the debate framed regarding our relationship with Europe and what we should demand of Europe?

YV: "Do we want a democratic Europe or not?" This is going back to what I was saying before. Europe and the European Union are not the same thing. The problem with the EU is that it has all the regalia of a supranational state, without being one. It is not only that it is not formally a state. Its DNA, its history, the way in which it has been put together is completely different from the way a state emerges. A state emerges as a result of the political need for a mechanism, a collective action mechanism, that ameliorates class conflict and group conflict.

So take the US or the UK. The English state began with the need to find some kind of balance between different lords and barons. The Magna Carta was a clash between the king's central authority and the barons, and later on you had the clash between the landed gentry on one hand and the merchants. The industrialists come in and the working class comes in. Different groups clashing mercilessly for control. And the state emerges through this clash of these tectonic plates smashing one another and the state becomes the set of institutions that have legitimacy or try to base their legitimacy on a mandate from the population as a whole, in order to create some kind of balance of power - to equilibrate these conflicts, to stabilise them.

So this is how a state forms. By definition, the state, even if it is not democratic, as in China for instance, nevertheless is a purely political process for the purpose of stabilising social conflicts. Now Europe, Brussels, did not emerge like that. Europe emerged as a cartel of heavy industry. It began with steel and coal, and then they co-opted the farmers, then they co-opted the bankers, and then the car industry and then eventually the service industries, and so on and so forth. It was an attempt to create stable prices, to limit competition, the opposite of the *raison d'être* of the British state and of course the American state. So the idea was to stabilise prices and to stop the clash between German industry, French industry, northern Italian industry, Dutch industry - that kind of thing.

There is a huge difference between a state that emerges as a political means for stabilising class conflict and the administrative personnel of a cartel. British industry was never part of that cartel and that is why Britain came so late to the European Common Market. Britain came in effectively to replace a lost empire by having access to these markets. But the markets were already cornered by the central European cartel. So the reason why the British establishment has never been enamoured of the European Union is because it never was part of the cartelising process which gave rise to Brussels. That is not a bad thing. But I'm trying to explain why in Germany, Holland, Belgium, the establishment, the elites, do not ever question the European Union, whereas in Britain it is questioned.

So here in the UK you end up with a situation where nobody likes it. The working class doesn't like it, because the EU doesn't have the interests of the working class of Britain in mind. But at the same time British industry does not have the same stake in it. The City has a stake in it, and some businesses, some small pockets of businesses also do have. Everything follows from this. The European Union had to develop a common currency because if you are going to build a cartel you need to have stable prices. For the first twenty years the stability of prices was guaranteed by Bretton Woods. After 1971, Europe tries to create its own gold standard Bretton Woods system, which then became the euro. So Britain is in a precarious situation vis a vis the EU. Britain keeps saying to the world that they want the single market but they don't want Brussels. But they can't have that.

AS: Well, they usually use the example of Norway or Switzerland.

YV: Well Norway and Switzerland have effectively deferred to Brussels. So do you want that?

AS: The debate doesn't usually get that far...

YV: Yes, well that's where it should go. So the question is, even if you get out of the Union, the labour standards, the environmental standards will in the end be dictated at the level of Europe.

AS: Because our economies are just too globalised and too interconnected?

YV: Look at TPP, TTIP and all that. This is not about tariffs and quotas any more, it is about standards. It is about industrial standards, environmental standards, labour standards and about patents. So who writes these rules? It won't be a negotiation between Britain and the EU that writes those rules. It will be in Brussels that these rules will be written. And Britain will have a choice of take it or leave, outside the EU.

So my view is that the problems with the EU have to do with the way in which it was constructed in the first place as a democracy-free-zone. It is completely democracy-free by design. Britain is not – due to the difference between Brussels as opposed to London in terms of DNA. From my perspective, progressive Brits have no alternative other than to stay in the EU and join us in trying to democratise it. If we fail to democratise the EU, it really doesn't make much of a difference whether we're in or out. Unless of course Britain finds a way of replacing the 60% of its trade with the EU, with someone else. This it won't be able to do.

AS: Owen Jones is calling for what he calls [Lexit](#) – a left-wing exit from the EU. What would you say to someone like him who would support everything you say about Europe and democracy, but still wants to leave the EU?

YV: Well, I'm facing this kind of argument in my country with former comrades of mine in the government who left and formed the Popular Unity Party, who are saying exactly the same thing. We can't have a genuine conversation with the Eurogroup, so exit is the only solution.

My argument is that there are no easy solutions. I wish that we could create an alternative universe in which it would be possible to have a degree of autonomy, autarky, that allows you to clean out the Augean stables. You can't. The idea that we will go back to an agricultural pastoral life is absurd. Today, even combine harvesters are governed by electronics that our countries do not necessarily produce.

You cannot step back from the globalised market and especially from the Europeanised market. So if you exit without having any capacity to participate in the democratisation of that market, then you will always be subject to a market that is run by technocrats and you will have even less degrees of freedom than you have now.

I think it's very important not to fall into the nationalist trap of thinking that you can recoil back into the nation-state cocoon. That doesn't mean that we should go along with Brussels. I'm not in favour of staying within the EU and playing ball. I think I have proven this beyond any reasonable doubt. I believe in staying in to subvert the rules. Even to go into a campaign of civil disobedience within. That for me is the left wing strategy. Not "Lexit".

AS: How much power do national governments have over economic policy? When you were finance minister did you really feel in charge of your country's destiny?

YV: No. Well it depends. Britain is very different from Greece. Not only because it is a more sizeable and significant economy, but also because it is not in the eurozone. If you are not in the eurozone you have a degree more freedom, there is no doubt about that. And I wish we had never entered the eurozone, which is not the same thing as my saying I think we should get out. Big difference.

So when you are inside the eurozone, your degree of freedom is minimal, if not zero. The only thing we could do was to renegotiate the whole package, to give us a degree of freedom. So one of the things this movement is going to be proposing is ways in which we can combine greater Europeanisation of particular realms like debt management, like the banking sector, aggregated investment, fighting poverty - to find European solutions for these in order to create more decentralisation, to give more degrees of freedom for social and economic policies at the level of the regions, the cities and of course, the nation. I believe that this is possible. It sounds like a contradiction, but I believe it is possible to gain these degrees of freedom if we Europeanise certain big problems.

AS: This leftwing economic opposition to ordoliberalism would have to go beyond Keynes then...?

YV: Textbook Keynes to be sure. But this would be a new variety of Keynes which is adapted to the circumstances of Europe. For years now with my friends James Galbraith and Stuart Holland, former Labour MP for Vauxhall, we have been putting together what we call '[a modest proposal](#)', nicking the title from Jonathan Swift, which is a Keynesian idea of what to do with the eurozone that applies at the level of the eurozone and not at the level of nation-states.

So in it we explain how the existing institutions - the central bank, the European stability mechanism, the European investment bank - can be utilised in order to create a European new deal. An investment-led green new deal for Europe, with the investment bank playing the role that under the New Deal of Roosevelt, the federal treasury played by issuing treasury bills for the purposes of mopping up excess savings in order to channel it towards investment. I think we can do this with the European investment bank, being supported by the European central bank - instead of through quantitative easing purchasing government debt. It could purchase bonds from the investment bank, therefore ensuring that whatever new quantitative easing occurs is directed straight into investments, especially in green technologies. There are ways you can imagine intervening immediately in the European crisis today to stabilise European capitalism in order to be able to begin discussing political projects for democratising it. It is either that or barbarism.

AS: Or the status quo?

YV: The status quo is no longer an option, because it is fragmenting. I don't believe that the status quo is sustainable, and I think everybody knows this. Take Italy. Italy is a country that has a current account surplus. It owes most of its public debt to itself, which is good. But it is unsustainable. They had a primary surplus of between 2 and 2.3% over the last few years and yet their debt to GDP ratio is growing precipitously. Now that tells you that something is profoundly wrong, when you have a country like Italy, sophisticated, that produces everything from Armani to Ferrari to Fiats, and they have a current account surplus. They

have two surpluses – a trade surplus and a service surplus and then they have a surplus in the primary accounts of the Government. And yet they're sinking into debt. This tells you something.

Renzi the other day came out and said something quite remarkable. He said that if Brussels rejects his budget, he is going to submit the same one to them. That is open defiance of the European Union fiscal pact. Why is he doing it? Is he a revolutionary? No. Because he knows that if he behaves according to the rules, his country is going to fall into a black hole or reject him. We find the same in France, Spain which is being heralded as a great success story of austerity as we speak – these are unsustainable. And Schauble too knows this. He knows that the eurozone is not capable of taking and absorbing another shockwave in the international economy – the kind of shockwave which is shaping up now. So I don't think that the status quo is an option.

AS: Can you explain in laymans' terms what your Plan B entailed?

YV: Actually I called it Plan X – just to be accurate – and there were two parts to it. There were actually two separate plans. One concerned how to deal with the situation if we are forced out of the euro. Because there were these threats and even though I believed them to be not credible and that they would never do it, even if they wanted to, and I believed it to be illegal for them to do it and that they would have serious problems if they did. Nevertheless, as the minister of finance, I had an obligation to draw up contingency plans in case they managed to get us out.

And so this mainly, was Plan X. When you started trying to wrap your mind around how this redenomination of everything in a different currency could occur, the more you thought about it the more complicated it seemed to be. Every time you thought you had solved a problem, you created another ten. So the team that I had working on this was working night and day trying to imagine all the scenarios. And of course the difficulty with that was that it had to be a small team, otherwise it would be a self-fulfilling prophecy. So that was Plan X.

But then there was another, not a contingency plan, but a set of responses that I had been preparing for a while, for at least a year, for staying in the euro after they shut down the banks. I knew they would threaten us with the banks and I knew that a long time before we were elected. And the three steps that I recommended as retaliation were, firstly, to announce the creation of a parallel payment system, a euro-denominated electronic system; secondly a haircut or postpone by 30 years the repayment of the Greek Government bonds owned by the ECB, to the tune of 27 billion. That would be a major weapon to use, because the ECB's whole QE program would have serious legal difficulties if we did that. And thirdly, changing the law governing the functioning of the central bank of Greece. So that was in order to stay in the euro with closed banks, after an aggressive move by the ECB.

That was the plan that I thought was crucial, not Plan X. Plan X was there in case we were pushed out of the euro. I didn't believe it was credible, but I had to have it, just like the Minister of Defence has to have the contingency plans in case Turkey invades, even if he doesn't believe Turkey will invade.

But those three policies with which to respond to the closure of the banks, that was the real game for me. It was a plan for staying in the euro and managing to survive within it, with banks closed, while the negotiations yielded the proper outcome. I always knew that until and unless we demonstrated capacity not to surrender after the banks had been closed for a

week or two, we would be taken to the cleaners.

AS: And you think a small, bankrupt country with no allies in the eurozone could have done that?

YV: Yes absolutely. Look at Mario Draghi just keeping the euro together. Without QE there would be no euro. QE is very precariously balanced legally because Draghi faces major challenges from the Bundesbank, and the main challenge is that he is purchasing assets that may be subject to a haircut, and the usual response by the Central Bank is that they will not tolerate a haircut. But the bank already owned 27 billion of Greek legacy debt from 2010 which it had purchased. If I announce a haircut in response to the very aggressive move of shutting down our banks, then suddenly the whole quantitative easing (QE) programme would be jeopardised. Weidmann and the Bundesbank would say, “see, you are purchasing assets that now are being subjected to a haircut.” So we had a weapon, but I was prevented from using it.

AS: At openDemocracy we’re obsessed with TTIP. A Syriza minister I spoke to recently said that it was his belief that a Syriza Government would never pass TTIP. Were there ever any discussions about TTIP while you were in the government?

YV: No, never. I’m sure that this is a genuine sentiment. But then again let me remind you Alex that we kept saying for years and during the months of the negotiation, every day, that we would not sign a third memorandum.

AS: So...you think the pressure would be too strong if it got to that point?

YV: I’ve already answered you.

AS: My last question is about the media, and how they are going to react. How will you deal with the media in relation to your new movement? It may not be pretty...

YV: Oh don’t worry I’ve had plenty of training.

AS: So you’ve learned lessons...

YV: The single most important lesson that I have learned is that it doesn’t matter. Because if the message is strong, given the need for a movement that expresses this craving for a modicum of democratic control over the sources of power in Europe, I think the groundswell of people will, as it did in Greece, carry us through. We won 61.3% of the vote in the referendum against every single television, radio station and every newspaper. They were all campaigning for the yes. We could do it in Greece, we could do it in Europe.

And in the final analysis, it is as Homer has taught us. It is not so much the journey that matters as the destination. It is a good fight and we have to fight it.

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