

Europe and the Specter of Democracy

YANIS VAROUFAKIS

interviewed by Michel Feher

Between January and July 2015, Yanis Varoufakis was finance minister of the first Syriza-led government in Greece and, in that capacity, sought to renegotiate the terms of the Memorandum of Agreement imposed on his country by the Eurogroup and the so-called Troika – the European Commission, the European Central Bank and the International Monetary Fund. He resigned after Alexis Tsipras, the Greek prime minister, decided not to act on his overwhelming victory in the July 5th referendum and instead yield to the exigencies of Greece's creditors. Since then, Yanis Varoufakis has been working at the foundation of a trans-European movement for the democratization of the EU. We met him in Paris, just a few weeks before the official launching of DIEM 25 (Democracy in Europe Movement 2025), which took place in Berlin, on February 9th, 2016.

BLEAK RECKONINGS

YANIS VAROUFAKIS is the former Finance Minister of Greece and a former Member of the Hellenic Parliament. He is founder of the Democracy in Europe Movement 2025 (DIEM25), which launched in Berlin on February 9, 2016. Before entering politics, he served as a Professor of Economics at a number of universities, including the University of Texas, Austin, the University of Athens, and the University of Sydney. His many books include *And the Weak Suffer What They Must?: Europe's Crisis and America's Economic Future* (Nation Books 2016), *The Global Minotaur: America, Europe and the Future of the Global Economy* (Zed Books, third edition 2015), *Economic Indeterminacy: A Personal Encounter with the Economists' Peculiar Nemesis* (Routledge 2013), *Modern Political Economics: Making Sense of the Post-2008 World*, co-authored with Joseph Halevi and Nicholas J. Theocarakis (Routledge 2011), and *Game Theory: A Critical Introduction*, co-authored with Shaun Hargreaves-Heap (Routledge, second edition 2004).

Note:

After this page is posted, Julie will take screen shots from each of the three videos and replace these black video play boxes with video stills (uncaptioned).



MF: I'd like to start with a couple of questions about Greece and the relationship between Greece and its creditors under Syriza II – Alexis Tsipras' second government. The first question regards the relation between Syriza II and the IMF. In the wake of what could be called the surrender of the Greek government, and in spite of the July 5th referendum, the IMF seemed to soften its position in certain respects. Now that Greece had surrendered to the terms of the "Memorandum," the representatives of the Washington-based institution conceded, "we have to admit that the Greek debt is in fact unsustainable," which implies that some measure of relief is necessary. The German Finance Minister Wolfgang Schäuble, as well as the chairman of the German Central Bank and other hard-line members of the creditors'

club immediately balked at the idea of a “haircut,” however modest. While the rift between the ostensibly more forgiving approach of the IMF and the intransigent stance epitomized by Schäuble has not subsided in the ensuing months, Alexis Tsipras has been trying, so far unsuccessfully, to exclude the IMF from the group of institutions involved in the implementation of the third “Memorandum of Understanding.” How do you explain the attempt by the Greek Prime Minister to get rid of the institutional actor that seems the most willing to reckon with the fact that Greece’s debt needs to be partly written off?

YV: Firstly, let’s begin by stating the fact, the historical fact, that there is no new development here. The IMF has been repeating, quite correctly, that the debt is unsustainable since 2011, 2012. There was even a time, when Christine Lagarde in 2012, 2013, proposed to the Greek government of the time, the right-wing/PASOK government, to forge an alliance between Athens and Washington DC, the IMF, in the Eurogroup, in order to bring about debt relief. Then, the Greek government rejected that, choosing instead to remain loyal to Berlin. So what you just described is a repetition and continuation of this pattern. The explanation for this by Alexis Tsipras, the Greek Prime Minister, if you were to put this question to him, would be that the IMF keeps making these noises about the importance of debt relief but only refers to the part of the debt owed to the Europeans. He would tell you that the IMF would never consider debt relief for the part of the debt that is owed to the IMF. So it only puts forward the suggestion of a haircut to other people’s money, and not its own loans to Greece.

In addition, and far more importantly, the IMF, he would say, sets ruthless and rather horrific conditions in the realm of labor relations and pension cuts. Alexis Tsipras has always held this view, even when I was in the cabinet. This was not my view, it was his, and I was ambivalent about whether we are better off getting rid of the IMF because the IMF’s noises regarding debt relief are insubstantial and hypocritical, and they don’t help much anyway. He believed that in order to achieve a better balance between social policies regarding labor markets, pensions, and debt relief, it was best to try to deal with European officials directly. I am of the view that this is a mistake because having the support of the IMF is instrumental to the federal government in Berlin. This seeming contest between Washington DC, Frankfurt, Brussels, and Berlin is a game that Athens shouldn’t be playing. The IMF will stay in the program, possibly without lending more money, because it is absolutely essential for Angela Merkel to be seen in the eyes of the federal government as having the IMF on her side.

The surrender, as you put it, was devastating for one reason: we, the Greek government, did not use the IMF’s internal divisions in order to extract from the Troika an agreement where debt relief and debt restrictions would come first and before anything else. Once that surrender was effected, I think all this gaming, regarding whether the IMF should be part of the program or not, is neither here nor there. It is beside the point, the pot has been lost.

MF: *My second question relates to the nexus formed by the consequences of the third memorandum imposed on Greece and the evolution of European*

immigration policies. Starting on August 30th 2015, there has been this remarkable shift in the German government's official policy with regard to refugees – especially from Syria. You wrote about it yourself, emphasizing the contrast between the principled nature of the German Chancellor's stance in the context of the inflow of asylum seekers and her attitude toward Greece a few months earlier.¹ Though Germany had *de facto* already been more welcoming than its European partners (with the exception of Sweden), what was remarkable in Angela Merkel's speech on August 30th was that she said, first, that welcoming refugees was a moral duty and, second, that Germany and Europe as a whole could afford it. This was maybe the most remarkable part of her statement, since, until then, European governments had always justified their policy of inhospitality by claiming that they just could not afford to let everyone in. Now, after the initial shock produced by Angela Merkel's sudden turn-about, the French and British governments as well as the representatives of European institutions – and prominent members of the Chancellor's own party and government – were quick to counter the call for a *Willkommen-skultur*: though careful to keep their distance from the openly xenophobic position of Central and Eastern European leaders, they managed to impose a “middle ground” whereby the EU would be more welcoming toward certified refugees but, at the same time, show even more toughness than before with economic migrants. In order to sort between “good” and “bad” foreigners, EU officials decided to introduce so-called “hot spots” along the borders of Europe where the selection process would occur. Under the guidance of the German government, they also sought to sign new agreements with “transit” countries – Turkey in particular – whose governments would receive ample European funding to prevent asylum seekers from entering EU territory.

So this is where Greece, all of a sudden, becomes an important player: as the main entry point for refugees, it is granted the status of an internal transit country. In other words, European authorities, and the German government in particular, want their Greek counterpart to keep migrants from pursuing their journey to the north of Europe. Hence, in October and November, there were rumors in the German press that Angela Merkel was about to soften her position with regard to the Greek debt crisis if, in return, Alexis Tsipras' government agreed both to retain refugees in Greece and to step up the control of its country's borders. However, what we have heard in the last few months amounts to a shift from carrot to stick, meaning that the European Commission, backed by the governments of several member-states, is now threatening Greece with a new kind of “Grexit” – an exit from the Schengen Area where, in principle, internal European border control has been abolished – if its government does not make greater efforts to protect the rest of the Union from refugees. What do you make of this new development?

YV: If you take the three words “European,” “refugee,” and “policy,” and put them together, you end up with a joke. There is no such thing as a “European refugee policy.” In the same way that you would end up with a magnificent anecdote if you put “European,” “foreign,” and “policy” together. What you described is proof of this fact. There is no such thing as a European refugee policy. The policy, on the one hand, and the instrument implementing it, on the other, which is a body that is supposedly overseeing the protection of the common EU borders – both of these are in a shambles.

1. <http://yanisvaroufakis.eu/2015/09/14/on-german-moral-leadership-english-version-of-op-ed-in-sundays-frankfurter-allgemeine-zeitung/>

The arrival of so many refugees – independently of the Greek negotiations regarding the Memorandum of Understanding – coincided with the defeat of our government, and the humiliation of the Greek prime minister, and all of my comrades who accepted the surrender and stayed in the government. At the time, I said that the surrender was a defeat for Athens' government and a major injury to the spirit of Europe. The notion that you can drag a country through the mud, and humiliate it by forcing upon its bankrupt government a program that everyone knows is inhuman, as well as another loan with conditions that are absolutely impossible to fathom – all of this expresses a shattered European spirit. Let me give you a simple example. The idea that every single Greek company (whether they are a single person company, a conglomerate or a corporation) has to prepay the whole of their 2016 corporate tax in the last two months of 2015 is a notion that only needs to be directly stated so that you can recognize that this is done to a country specifically in order to crush and humiliate its government. The moment some entity like the Troika imposes such a humiliating treaty on one state in order to bring about an electoral outcome that they prefer – whether you are in Spain, in Portugal, in Ireland – causes you to realize that the very spirit of the European Union has been crushed, broken, shattered. Once the spirit of the EU has been shattered, how do you expect a common, humane, rational, and enlightened approach to the problem of refugees? Once the spirit of the Union has been dealt such a heavy blow, then everyone thinks about their strategy in terms of avoiding their contribution to a common cause, and everybody adopts an envious attitude, a “not in my backyard” kind of attitude. Everybody tries to shed their responsibility regarding refugees, regarding any common burden-sharing.

Angela Merkel at that point responded magnificently. I don't know why, and I don't really care. I wouldn't be surprised if the terrible effect on Germany's image of how her government had death with ours had something to do with it. Angela Merkel can be accused of many things, but she can't be accused of not being an astute politician who understands the effect various developments have on Germany's image and on her own image as the Chancellor of Germany. But again, I am pleased that she made this magnificent decision, whatever the underlying purpose and rationale was.

Of course, once the Greek government was humiliated and the spirit of the Union was crushed, that magnificent decision was not supported by a fragmented European Union. So she found herself in the eye of the storm. She found herself receiving the slings and the arrows of a lot of ultra-nationalist, anti-refugee, blatantly racist, or sometimes quasi- and hidden-racist narratives against her and her decision to open the borders to the Syrian refugees. As a result, she then had to backtrack and create a fudge, a typical European Union fudge. Part of that fudge is what you described: thinking in terms of borders and “buffer zones”; the idea of reconstituting borders within Europe, which was aided by the terrible events in Paris; the idea of creating a wall between the European Union and Turkey, with a buffer zone on the other side of the wall, which could be purchased from President Erdoğan of Turkey for 2 - 2.5 billion euros; and the idea of having another buffer zone on the other side in Greece, with Frontex or some iteration of Frontex playing the role of border control,

which would effectively take over control of Greece's border with Turkey from Greek authorities. When the Greek authorities resisted this plan based on the fact that we don't really have a federation, and that we don't have a federal border patrol like the US does, then suddenly the Greek government was treated with threats just as they were treated a few months before in relation to debt reform. Just as we were threatened with Grexit earlier, the Tsipras government was threatened with the exit from Schengen.

This is what happens when an economic crisis, which was inevitable and created by the bad design of the common currency area, spills over into a crisis of politics, of culture, of legitimacy, of the very constitution of Europe itself – in the final analysis, it spills over into the crisis of European democracy.

MF: *Practically, however, don't you think that, as the pressure Angela Merkel is already under continues to mount, the Greek government could acquire more leverage? To put it cynically, if the Chancellor eventually yields to the demands coming from her majority and adopts a tougher line, at least with respect to the control of Europe's external borders – which seems to be the trend, especially since the Cologne events on New Year's Eve – won't she need to help Greece play its part as a "buffer zone" at the edge of Europe?*

YV: I don't believe that the bargaining power of the Greek government has been increased by these developments. This is because you can only increase something if it is non-zero. If it is zero, and you multiply it by any factor you want, it will still be zero. Greek bargaining power is now zero. And it is zero because of the surrender to the Memorandum of Understanding that I refused to sign and vote for in August. On the first page of this document there is one sentence, "the killer sentence," as I call it. It states, I think verbatim, that the Greek authorities commit to agreeing with the institutions. Full stop! The implication is that, even if they don't agree, they commit to the institutions. Any treaty between me and you, where I commit to agree with you, whereas you don't commit to agree with me, is effectively a surrender of my inalienable rights. It is the transformation of my person into your slave. Once you have done that you don't have any bargaining power at all.

Greece has always been important. It was important before July and August. If you take one quick look at the map of Europe – Russia, Ukraine, Turkey, but also in relation to North Africa, Libya and so on – you realize what the Americans always understood since the time when they intervened in the Greek Civil War in 1946. The geographical position of Greece renders the place a strategic key point. This has always been the case. Last year when I was a minister, it was clear that the United States, Berlin, and Brussels considered us crucial in the geopolitical developments vis-à-vis Russia, Ukraine, ISIS, Libya, Egypt, and the Palestinian issue. They only put the squeeze on us, with the closure of banks and the threat of the Grexit, when they knew our side was about to capitulate. Once they know you will capitulate, it doesn't really matter how important you are to them because they know they have you. Therefore I don't believe that the added bargaining power caused by the refugee issue is going to make any difference since they take it for granted that they effectively rule the roost in Greece.

MF: *Let's move on to some speculation about the conditions under which the critical state in which the European Union finds itself could evolve. We will get to the chances of a democratic awakening a little later but, first, I would like to get your views on a possible external disruption, namely, the considerable downturn of the Chinese economy and its potential ripple effects. It is true that, with the possible exception of Germany, European economies are not decisively dependent on their commercial relations with China, at least at this point in time. However, the indirect effects of a persistently sluggish growth rate in China may be consequential for Europe: the Chinese authorities may react to the downturn of their economy by boosting their export industry, rather than focusing on their domestic market, thereby reducing imports from developed countries in general – Europe and Germany in particular.*

Now, we must remember that what enabled the “surplus” countries of northern Europe to impose perennial austerity programs on their deficit-ridden partners in the south was the fact that the northern export industries were primarily geared toward non-European markets – such as the United States but also China and the other emerging economies – which meant that they no longer needed to keep the southern European populations as solvent consumers. So, the question is whether losing China, and maybe other emerging economies, as a safe outlet for their export industry could suggest to the German authorities and their pro-austerity partners in the Eurozone that the time has come to give back the Greek, Spanish, Italian, and Portuguese people the means to buy German goods...?

YV: I wonder! In 2013 I was re-writing and editing a book that I scripted in 2011 called *The Global Minotaur*, which was my theory of the global crisis of 2008 and 2009. I wrote exactly this story that you just put to me in the book's last chapter. What I had effectively said in the original draft in 2011 was that – in the immediate aftermath of the great financial sector implosion, which began with Bear Stearns, Northern Rock, and Lehman Brothers in 2007 and 2008 – the Chinese authorities, very astutely, understood what was going on. In a state of panic they decided it was imperative for them to maintain their domestic growth rates at a level that would keep the social economy stable and that would maintain the migration waves within China from the hinterlands to the coastal areas. By doing so, they hoped that – on the basis of building bubbles through real-estate operations that would be financed through asset price inflation – this would provide credit to the economy and then become a kind of investment-spurt that would make up for decreasing export revenues. By doing this, they thought that they would be buying time. They knew they had about 5 or 6 years within which to do this, and they were hoping that within these 5 or 6 years, America and Europe would get their act together and push up the level of aggregate demand globally so as to prevent the bubbles in China from bursting. Neither America nor Europe came to the party, and the Chinese bubble started to deflate. The Chinese authorities have been very skilled at preventing deflation from becoming a complete blowup, but they cannot stop it: they are not even trying to order the tide to return.

While I was finishing that book in 2013, I posed this very question, which you just put to me. It's a great question. Germany redirected its net exports

from the periphery of Europe to China – not to other emerging economies, but to China as well as the economies that are kept afloat by China. I wrote that this was not going to last because the Chinese bubble, which was an intentional bubble, couldn't be anything else and so it was going to deflate. Slow, fast, or medium-fast: it was going to happen. And now it has happened. Additionally, you have the rest of the emerging economies and China together, which today are characterized by a level of private sector indebtedness that is higher than that of America and Europe prior to the 2008 collapse. That speaks volumes toward what is coming. Even if you don't have Lehman Brothers-like catastrophes in China, this level of private sector debt is such that it leads to a simple conclusion: we are not going to have investment that grows anymore, not in the emerging market, and certainly not in Europe or the United States. We are simply not going to be able to envisage a situation in which Germany can continue along the lines of beggar-thy-neighbor to maintain its net export growth and to ignore the rest of the Eurozone.

Does this mean some sense is going to be knocked into the heads of the people in the German Ministry of Finance? Or does it mean that denial is going to be maintained through greater authoritarianism in the European Union? It could be either. In the former case, if some sense pervades, there would thus be greater openness to the idea of creating the circumstances of a "New Deal" for Europe by means of, for instance, energizing the European Investment Bank to create an investment that lets growth expand. Then there would be hope. But I very much fear that denial is the order of the day, as it has been in the last 5, 6 years. In this scenario, Germany would become more deflationary and the rest of Europe would descend into an even deeper depression.

If you take into consideration everything we discussed before – about refugees, about foreign policy, about the geopolitical issues confronting us – and you add to the mix the developments of deflation and depression, aided by what is happening in China, then you end up with a picture that becomes bleaker and bleaker.

WHEN SHORT-TERMISM LASTS

MF: *For almost three decades, the European left has tried to reassure itself that the neoliberal turn initiated by Margaret Thatcher in the UK and Ronald Reagan in the US would be a passing nightmare: neoliberal policies wreak such social havoc, the reasoning went, and the economic theories on which they are predicated are so silly, that people will surely rise up against their enforcers, either in the voting booths or in the streets. However, the kind of short-termism that is the name of the neoliberal game has proved that it was not necessarily short-lived, even in the face of a major financial crisis and the Great Recession that resulted from it. Thus, more recently, the European left has shifted from confidently announcing the impending end of the neoliberal era to warning that, unless ruling elites change their ways, a resurgent fascism is around the corner – under the guise of the French National Front, the British UKIP, the German Pegida and AFD, and of course, Golden Dawn in Greece. These extreme right wing parties may indeed come to power, but it may also be the case that the fear generated by such a prospect is what*

enables the short-termist neoliberal elites to stay in place – though not without gradually implementing large sections of the extreme right's program. The recent regional elections in France provide a good illustration of the latter possibility: while poised to win the presidency of several regions, Marine Le Pen's party ended up winning none. Yet, the reforms to the Constitution that the French socialist President is now promoting largely borrows from the National Front's rulebook. So, this means that the challenge we are facing does not only involve the electoral victory of the right wing populist parties, but also the undoing of our already-damaged democracy at the hands of the familiar and ostensibly reasonable people who are in charge today.

YV: Spectacularly apt point! Let me give an example. In the spring of 2012, when the neo-Nazi Golden Dawn were emerging out of the woodworks in Greece, soon to take their place in the Greek parliament, they stormed power without going anywhere near government. In the winter of 2012, a Minister of Health in the Socialist Party, in association with another Socialist Party member, the Minister of Public Order (the police), went into cahoots to have women arrested from the streets of Athens. The reason they gave was that the women were posing risks to public health under the pretext that they were operating as prostitutes infected by the HIV virus. They were picked up randomly from the streets, placed in police cells, forcefully tested for HIV, and those who were HIV positive had their photographs posted on the Internet. Now, I cannot imagine what kinds of even worse things the Golden Dawn thugs would have done if they were in power, especially given that all of this was also portrayed in a fully fledged racist manner. The women who were arrested were presented in the press as being black, being Russian, being Ukrainian and, in the end, as being Muslim. At that time, some of us rose up and wrote fiery articles, and there was a beautiful documentary made on the subject. The point here is the same one that you made earlier: the fascists and the Nazis don't need to enter the buildings of the ministries. They are in power without being in the government, whereas those in the government are not in power. This is the greatest danger, the greatest fear, and the greatest peril that we are facing. I believe this is an intermediate state that we have been in. In a sense, this has surreptitiously, and without any central design or plan, prepared for the moment when we say, well, we have the Nazi policies, let's have the Nazis as well, or that it doesn't really matter if Marine Le Pen is the President if her policies are being implemented by the Socialist Party anyways.

My greatest fear is that Marine Le Pen will seem like a decent development as president because at least she has something to say about the incongruities and the irrationality of Europe, whereas President Hollande doesn't. He allows, in a sense, for an ultra-right wing social agenda to be introduced in order to avoid losing more votes to Le Pen. He does so without having the strength of argument that Le Pen has with regard to the flimsiness of the monetary situation under which the French social economy suffers.

MF: *Let's try to move to a more hopeful subject. Since your resignation from the Syriza I government last July, you have been traveling and addressing a number of*

audiences all over Europe. I would like to get your report on the spirit you have encountered in the countries you have visited. In the wake of Alexis Tsipras' decision to surrender to the dictates of Greece's creditors, there was an understandable fear, throughout Europe, that Syriza's broken resistance would have a devastatingly depressing effect on the various movements, and more generally the people, seeking to change the course of European politics. And indeed, it seemed, at first, as if the star of Podemos in Spain – which had been Syriza's strongest ally – was fading (though the young party did not do badly in the December general elections). In Britain, however, just a couple of months after Syriza's surrender, Jeremy Corbyn unexpectedly surged to the leadership of the Labour Party. More recently, the legislative elections in Portugal resulted in a new kind of alliance between the Socialist party, the so-called Left Bloc, the Communists and the Greens. What is your assessment of the post-July 12th moods of the anti-austerity movements and constituencies across Europe? Let's start with Britain, where you have spent a lot of time.

YV: Let me begin by saying that when we were running for government about a year ago, just before the election on the 25th of January 2015, our slogan was: “We are challenging the austerity in Greece in order to change Europe.” We challenged austerity unsuccessfully, we were defeated, and so we surrendered in July. Our failure cast a dark shadow over many people throughout Europe, even people of the center-right who were hoping that what we were doing in Greece was going to create a new agenda, a new dialogue, and a new possibility for the European Union. Our defeat had this depressing effect on many people. So the first thing I tried to do, since my resignation, was to connect with as many Europeans as I could to make sure that such a depression would not happen. We acknowledged that we lost the battle. It was an important battle, and then we set it aside. Now we are moving on and taking the battle to many other frontlines. The main frontline is now the whole of the European continent, not just the Eurozone. And this is where Britain comes in.

I started my travels in France, Germany and many other places, where I addressed a multiplicity of audiences – not all from the left, including (even as recently as a few days ago) a bunch of bankers and financiers. The good news is that – and this is the segment of our interview which is more evangelical – the vast majority of people who came to talk or listen to me didn't do so out of an urge to show solidarity with the Greeks. They arrived with a sense of foreboding, and a sense of concern, about what effect the crushing of the Greek government would have on them, their societies, their welfare state, their pensions, their local hospital, their local schools, and on the capacities of their communities to make decisions pertinent to their own life. That was a great source of satisfaction, joy, and hope for me. Very soon I had this idea and scenario in mind: as Europeans we either harness the feeling that truly binds us together and allows us to redefine European identity on the basis of resistance; or, through the terrible false dilemma according to which, if we don't accept the powers that be in Brussels and their catastrophic policies, we must espouse the narrative of Grexit and fragmentation, in which case, we are effectively moving back into the cocoon of the nation-state.

We can harness that spirit of concern for locality alongside the concern for

the globality of Europe in order to create an alternative. We can stay in Europe in order to challenge head-on the highly anti-democratic processes and institutions of the European Union, and we can salvage Europe and the European Union from it. I experience the glimmerings of this possibility wherever I go in Europe. There are no guarantees and no certainties, but there is enough hope to make me excited, to make me wake up in the morning, and to make me throw all my energies into this lot.

The referendum that the Tory government has called in Britain is a splendid opportunity for the whole of Europe to redefine its identity. Most Brits are opposed to Brussels. They don't like to be bossed around by an unaccountable bureaucracy in the European Union. At the same time, they are very coy about leaving the devil they know for the realm of the unknown and about sailing into the Atlantic and distancing themselves from the continent without a clear destination. So it is important for those of us who believe in breaking down and opposing the false polarization – between Euro-loyalism (being loyal to Brussels and to Frankfurt) and the fragmentation processes of the European Union – to side with the forces of progress and improvement. It is important to effectively forge a common alliance and a common mandate for contesting the European Union and wrestling it away from the forces that are so loathsome and contentious of democracy and that lead us toward an economic crisis, which only strengthens authoritarianism and the anti-democratic tendencies of Brussels. I think of Britain and the referendum that will be taking place – we don't know exactly when – as a wonderful opportunity for a new movement that sees the democratization of the European Union as its number one priority; a movement to reunite the parts of the Eurozone and the parts of the European Union that are not in the Eurozone; a movement that wants to see Europe growing stronger through democratization and through confrontation with the current powers that be.

MF: *Do you believe that the Labour Party's new leadership shares your views and feelings on this issue?*

YV: Absolutely. I think they understand very well that it is essential for the Labour Party to map out a third path: neither the blind acceptance of what Brussels is and how it operates (which some Blairites are happy to condone or some, very few, Tories like Kenneth Clarke have the tendency to adopt); nor the acceptance of the Euro-skepticism of many of the Tories as well as a few sections of the Labour party, which seem to believe that Britain does not need the European Union. The Labour Party leadership understands that they need to create a radical third alternative that says something very simple: we want to be part of the European Union in order to fight against Brussels, and to fight against the deep contempt that Brussels has for the democratic processes. They understand this while also knowing that an exit from the EU is not going to take Britain on the road to socialism, but towards a kind of isolationism, a "little England-ism," which would make it more vulnerable to awful trade agreements like TTIP, and towards the loss of sovereignty through free trade agreements.

MF: Now let's move on to Spain, where there seems to be, not exactly a rift, but a debate between two strategies within the anti-austerity left.

On one side of the debate, there is Podemos, or more precisely the leadership of Podemos, whose priority is to build a party capable of winning elections at the national level. Early on, as you remarked many times, Syriza in Greece and Podemos in Spain emerged almost at the same time as the twin beacons of hope for those who wanted Europe to stray from perennial austerity and ever-shrinking democracy. In fact, for his part, Pablo Iglesias, the leader of Podemos, has remained loyal to Syriza's Alexis Tsipras. Though perhaps with less enthusiasm than before, Iglesias has kept his solidarity with Syriza even after Tsipras signed the Third Memorandum of Agreement last July – despite the risk of slightly dampening the hope of radical change that Podemos is supposed to represent.

On the other side of the debate in Spain, there is the so-called *confluencia* approach represented by Ada Colau, the mayor of Barcelona, which is also popular in Valencia, Galicia and other places. Its supporters advocate a horizontal alliance between different social movements (some focusing on evictions, others on the tourism industry, others on the privatization of public services, etc.) and the representatives of left-leaning political parties. Instead of giving precedence to national elections, they focus primarily on the local level – municipal and to some extent regional – as the proper springboard to build a trans-European movement.

What is your view on this strategic debate, especially in the wake of the December elections, where the proponents of the *confluencia* strategy played an important role in Podemos' relatively good results?

YV: The recent Spanish election was a magnificent result primarily because it put an end to the toxic narrative of the success story of austerity. It's clear that the Spanish people rejected the narrative that austerity worked and that Spain was a glowing example of how the policies of the Troika, if adopted enthusiastically by the local elites, are going to work. The Troika's policies didn't work, and the Spanish people said so. The second reason why it was a remarkable experience for me is because of the *confluencia*, as you put it. I'm thinking of the ways in which the variety of social movements – such as Barcelona's Ada Colau, whom you mentioned, as well as her colleagues and comrades – rose up by targeting predatory tourism and home foreclosures from a banking sector that was being salvaged by the weakest of tax payers. On the basis of that, they went all the way from zero to having control and wrestling power in the great city of Barcelona. This is a great beacon of hope for all of us. The capacity of the cities to produce progressive politics flies in the face of the failures of the left in the last hundred years.

Our pan-European movement to energize and bring together Europeans – whatever it may be in the end – has to be energized from the cities to adopt the methods, the narrative, the esprit and the élan of these movements. Our movement has to adopt such methods and narratives in order to create a potential for reconstituting the dynamics of European progressive politics. I am very pleased that Podemos has adopted this line and embraced those movements.

Having said that, I am convinced that – despite all the right incentives and motives – any progressive party like Podemos is mistaken when its leaders

think that we can stop the European Union's degeneration process through the electoral process at the level of the nation-state. The best thing that a political party like Podemos can hope for is participation in some kind of coalition government such as the one in Portugal. If we, the opponents of the Troika's Third Memorandum, were to set up a political party, the best thing we could imagine happening would be some kind of coalition with Syriza II, as you put it. But all of these coalitions would only be formed under the conditions of accepting the rules of Eurogroup! These are the rules of the Troika; they are the rules of the game that have been rigged to ensure that all of these mandates of progressive movements are crushed before they even get a chance to find expression at the level of national politics.

This is why I believe that what happened in Barcelona and in Valencia; what is happening in the streets of many cities, villages and towns; what is happening in Greece, in Denmark, in Britain, and so on and so forth: all of these developments will only find an expression that does not betray their initial ideology and impetus if we are able to bind together at the level of Europe and to exert pressure everywhere simultaneously.

MF: *What you just said seems to convey that, while local experiments may thrive, there is a real deadlock at the level of the nation-state. To put it crudely, it conveys that the best Podemos can hope for is to broker a coalition like the one that is now governing Portugal, with the prospect of soon becoming something similar to Syriza II.*

YV: Look at Portugal! In Portugal, the President of the Republic made an explicit condition for the formation of the left coalition government; they had to accept commitments to the Eurogroup and to the rules of the Eurogroup. That is astonishing! It might be that you accept the rules but, at the same time, you have a policy of going to the Eurogroup and demanding that the rules be changed. For instance, imagine this: if a national parliament commits to never changing the constitution and to never enacting new pieces of legislation that contradict the older ones! What is the point? You might as well not have a parliament. So any party of the left that accepts the rules and that commits to not challenging them legally effectively has no reason to exist and cannot affect change through national politics. To get the audacity, the strength, and the courage to go against these prescriptions by the President of the Portuguese Republic, the Socialist Party of Portugal and the left parties all over the periphery would need to have the support of like-minded Europeans throughout the Eurozone and the European Union. If we had such a movement, which effectively pressured the government of Austria through the national parliament of Austria (or those of other countries, whether Slovakia, France, or Germany) to end the pressure on a new government in Portugal and to remove this rule about never challenging the rules, then there would be a possibility that even the Socialist Party of Portugal could find the courage necessary not to effectively commit themselves to political oblivion.

MF: *Insofar as the trans-European movement in which you put your hopes – and, as we shall see, your energy – is still very much in the making, where does the current situation leave the parties on the left whose representatives have either won elections or are currently competing in national elections? What possibilities remain for the ruling parties in Portugal, for example? How should anti-austerity parties, such as Sinn Féin, prepare themselves for the upcoming elections in Ireland? What kind of “survival kit,” if there is one, is available to a government intent on avoiding the lot of Syriza I?*

YV: It depends on the country and on the state of its finances and banking system. The weaker the banking system and the state's finances, the easier it will be for Brussels, Frankfurt and Berlin to snuff out any kind of resistance from a newly elected progressive government in Ireland or Spain. The answers will have to be tailor-made according to the respective member-state. The most important aspect of this is precisely what I was saying before: to help create a sense of solidarity amongst the progressives throughout the EU, which would allow progressive parties in the member-states to find the courage to even think of the question you posed. That is the first point: to help them stiffen their lip. Secondly, once that has been achieved, you need to maximize your capacity as a government to fend off threats, and in particular the threat of bank closures. The threat of bank closure is how they pushed us [Syriza I] in a hole, by starting a bank-run, a run on the Greek banks, before we were elected, which they then accelerated through the rumor that the Central Bank was not going to support the Greek banks. At some point, while this self-fulfilling prophecy was creating a bleeding of deposits, they said, “ah, this is what you have done by not negotiating properly,” and then closed our banks down, effectively forcing the Prime Minister to choose a position between surrender and a complete cessation of the banking payment system.

Let me give one brief practical answer to your question of “what is the survival-kit?” In other words: how do you bolster your bargaining power? You would have to digitize your payment system. When the banks closed in Greece on the third of June, 85% of the pensioners didn't even have debit cards to use and buy things in shops or to take out the 60 euros that the government allowed them to withdraw from ATMs. This, of course, was tantamount to a humanitarian catastrophe – that is, when 85% of pensioners, the elderly, have no access to any payment mechanism. If every transaction was digitized, the threat of bank closures would be far less, and therefore the degrees of freedom for the Greek government would be far greater. These are technical issues, but it is important to keep them in mind because the Central Bank and the powers that be do keep them in mind. I am afraid it's important that we have defenses in mind that are based on the same logic.

MF: *Would these defenses merely represent emergency measures, a way to buy a little time?*

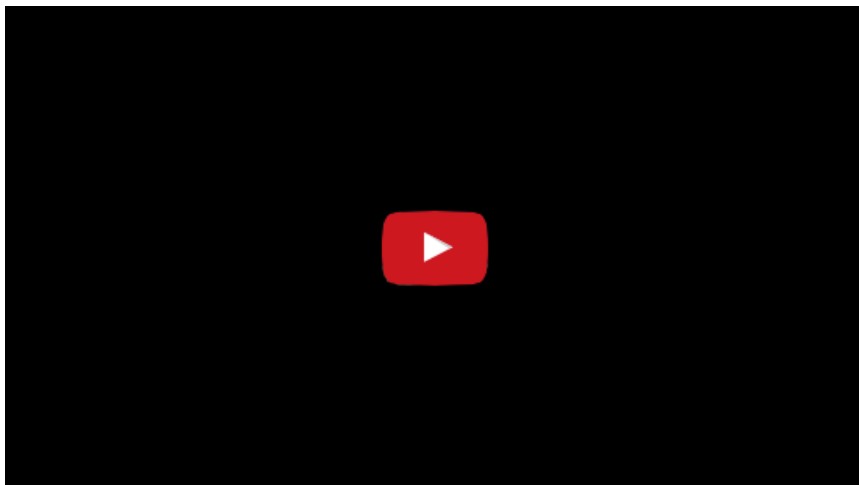
YF: Not necessarily; I don't think there is anything wrong with a digitized payment system. Estonia is the only country I know which has fully digitized

transactions and it's actually a great thing. The Bank of England has suggested it for England. In a sense, it is the way things are going and we might as well get there very quickly. It helps defeat tax evasion completely and utterly, and it even allows us not to use quantitative easing, but to pose negative interest-rates to stimulate the economy. There are many benefits to a digitized system, and one of them is reducing the power of the European Central Bank to blackmail a recalcitrant member-state government.

MF: *Such a measure could, for instance, help bolster the bargaining position of a small country such as Portugal?*

YV: Of course! Because bank closures mean a humanitarian crisis, and Frankfurt has the capacity to close banks; then your bargaining power is much lesser.

DEMOCRACY IN EUROPE MOVEMENT 2025



MF: *Let's move to the trans-European democratic movement that you are not only talking about, but that you are also endeavoring to build. Democracy in Europe Movement, or DiEM, is its name; it is in the making and will be officially launched, in Berlin of all places, on the ninth of February 2016. What could be the modes of operation of a trans-European movement such as DiEM? If I understand correctly, it will neither be a political party nor simply a lobby – although you emphasize that it is concerned with a single issue, the democratization of European institutions. This means that its purpose is neither to secure votes – what parties are about – nor simply to influence ruling elites – what a lobby does. And DiEM is not a union either, whose purpose would be to negotiate better political conditions with the representatives of the European institutions. So, how do you envision the modes of operation of the movement: how do you see DiEM exercising the kind of pressure that would prove helpful, for instance, to a government confronted with the demands, and the might, of the European Central Bank and the Eurogroup?*

YV: The number one lesson I learned during my five, six months of negotiations at the level of the European Union, the Eurogroup, etc., is that the old way of doing politics in Europe is kaput – finished. The old way was: we set up a party, an organization, or a movement in one country and we work very hard to create a manifesto, an electoral program, or promises of what we are going to do if our compatriots, in Germany, France or Greece, vote us into government. Once elected, we learn how to use the instruments of the member-state's government in order to effect this mandate. Only then, as an afterthought – once we've done all that work, once we are in government, or at least once we have a substantial percentage in the national parliament – only then do we try to find allies with some like-minded parties in Europe.

This tends to be flimsy; very soon, and especially at the level of Brussels and the European parliament, it degenerates into a farce. If it is true that the nation-state-based political organizations have failed to connect to Europe, to create a conversation that leads to a consensus, and to bind various movements and parties together into a force to be reckoned with that stands up against the Troika and the lenders that are running the Eurogroup at the moment, then what is the alternative? The alternative is to invert the pyramid. Instead of starting at the level of the nation-state and forging an alliance, which is flimsy and brittle, how about starting a movement throughout Europe on the basis of a very clear manifesto that binds us together? How about a movement with some very simple ideas of what we want to do as Europeans? To begin this conversation, we are starting in Berlin and taking it to other cities. Anyone who respects and feels for these elements, irrespective of political affiliation or ideology, can join and participate. If this conversation proceeds well, it will be dialectically creative and, as a result of this conversation, it will produce a consensus that will then find electoral expression in the different member-states. The expression can take different forms in different countries depending on the circumstances. So DiEM, or Democracy in Europe Movement, can compete in elections as a party in some countries; in other countries it can go into collaboration with existing parties, or it can effectively lend support to parties. This is not for me to decide; it's not for you or anyone in DiEM to decide: the whole point is that this would evolve organically.

DiEM is a movement. It is not a party, a trade-union, a think-tank or a conference. It's a surge: a surge of European democrats who are moving together to seize control, to put the demos back in democracy at the European level, and to infect every nook and cranny of the EU with democracy. It is a totally utopian project, and it's very likely to fail. But it is the only alternative to the awful dystopia that we are facing if we don't do anything at all.

MF: *Staying with the question of DiEM's modus operandi, it seems to me that one of the main problems facing social movements today is one of "occupation" – to borrow from the "occupy" initiatives of 2011 – albeit less of space, squares, or parks, than of time. The activities of traditional organizations, such as political parties and labor unions, are geared toward "discrete" moments: elections, strikes, street demonstrations, etc. While these manifestations of popular will may certainly have an influence on policy-making, by definition, they can only occur from time to*

time: people vote once every few years. Financial markets, on the other hand, and in particular the bondholders who are the ultimate arbiters of a country's attractiveness, vote every nanosecond. The time in which they operate is "continuous," and this goes a long way toward explaining why governments give precedence to the wishes of the investors financing their budgets over the demands of their constituents. In such a context, I would argue that one of the major challenges for a movement like DiEM would be to find ways of occupying time and intervening "continuously" so as to compete with investors for the "hearts and minds" of governing agencies. Don't you think?

YV: You are raising an issue that has been of central importance to liberal democracy since at least the early nineteenth century. The constant triumph of the economic sphere over the political sphere, and the way it has been cannibalizing the political sphere, is part and parcel of the evolution of contemporary capitalism. There is a predatory relationship between the economic and political spheres. The population of predators that are overly successful in eating their prey at some point starve to death and their numbers shrink; the prey would pick up again, and the balance continues. This is more or less the relationship between the financial sector, or the economic sector more generally, and the political sector. Financial capital in particular has the capacity to make inroads into the space of politics and to take over its power. Yet, with its encroachments increasing and with political power shrinking, the economic and financial sphere is destabilized. This is because the economy needs politics to stabilize itself. Thus the political sphere reasserts some of its capacity to control capital, the economic and financial sphere, as it did under Roosevelt, for example. This process continues; it goes on and on. There is nothing new there.

In the case of the EU, because it was stabilized as a cartel in the 1950s and, to this very day, it doesn't operate like a normal state, we have a very interesting incongruity and paradox. I will phrase it in personal terms. When I speak with bankers in Europe, even though I am admonished as a left winger, a radical left loony, and so on and so forth, I am usually met with a blanket agreement about what I am saying. They are very worried. They see a source of irrationality in Brussels. Brussels' irrationality might have been useful to them when they were bailed out, but nevertheless they don't trust the current regime in the EU with creating circumstances amenable to their banking and financial enterprises. So I don't believe that the great threat to a democratization process in Europe comes from the bankers. It comes from the very bureaucracy of the European Union and the political regime that is centered upon it.