



Varoufakis und Chomsky discuss Neoliberalism

Note: This transcript may not be 100% accurate.

YANIS VAROUFAKIS: Good evening, we don't have anyone to introduce us, so I've been asked to kick off by saying firstly that isn't this wonderful that we are all here just to subvert the notion that nothing good can come out of the public sector? **(laughter)** Noam.

NOAM CHOMSKY: Well, the fact that I'm here, barely, actually has a relationship to that comment. I came from Boston, my wife and I came from Boston, it took seven hours, and any society that hasn't been smashed by neoliberal policies of the kind you describe, it would have taken maybe an hour and a half, two hours. **(laughter)** There is a train, the pride of the public sector, which I took for the first time in 1950, and it's about fifteen minutes faster now than it was then, **(laughter)** when it makes the schedule, which is a chancy situation, so we decided to come by airplane and spent most of the afternoon on the runway.

YANIS VAROUFAKIS: Well, Noam, what shall we talk about?

NOAM CHOMSKY: Well, we can talk about the neoliberal assault on the world's population in the last generation, which you've written so brilliantly about.

YANIS VAROUFAKIS: What strikes me given the last quite eventful year of my life, what really strikes me is the major disconnect between the philosophy and ideology of

neoliberalism and that which I encountered when negotiating, inverted commas negotiating, when being dictated by the greater the good of the neoliberal international financial establishment. Think about it. If you take the great libertarians, the great neoliberals, who castigate all tax-funded activities, and you consider the reason why I'm here today and I'm not still the minister of finance of Greece. Why? It's because I refused another hundred billion smackers, dollars, of tax-backed loan to my insolvent government, which the creditors insisted that I should take.

NOAM CHOMSKY: The three-year loans.

YANIS VAROUFAKIS: It's astonishing, so here it is, here you have the international monetary fund, the European Central Bank, and the European commission insisting that our bankrupt state takes on another hundred billion, under conditions that guarantee we will not be able to repay the taxpayers of Europe that will be granting us that money, and that comes from neoliberals, who supposedly are against all tax-funded loans to government, and who supposedly believe that an insolvent entity doesn't have the moral right to take on more loans.

NOAM CHOMSKY: But as you point out, what is it, 90 percent of those loans go to French and German bankers.

YANIS VAROUFAKIS: That was the first loan. This loan it would go from the one pocket of the creditors to another pocket of the creditors so they would maintain the pretense that Greece was not bankrupt. But effectively what I'm trying to say is the intense hypocrisy of the neoliberal establishment, which is not really even interested in sticking to its own neoliberal ideology. This is just nineteenth-century power politics of crushing anyone who dares stand up to them and say a simple word, "No."

NOAM CHOMSKY: But I think that's actually traditional. One of the paradoxes of neoliberalism is that it's not new and it's not liberal.

YANIS VAROUFAKIS: Exactly. Exactly.

(applause)

NOAM CHOMSKY: If you look at what you describe is a form of hypocrisy but the same is true of saying that we should not support tax-funded institutions. The financial sector is basically tax-funded.

YANIS VAROUFAKIS: Of course.

NOAM CHOMSKY: You recall the IMF study of the leading American banks, which determined that virtually all their profits come from their implicit government insurance policy, cheap credit, access to higher credit ratings, incentives to take risky transactions which are profitable but then if it's problematic, you guys pay for it, or just take the basis of the contemporary economy, which actually I've been privileged to see developing in government-subsidized laboratories for decades. MIT, where I've been since the 1950s, is one of the institutions where the government, the funnel in the early days was the Pentagon, was pouring in money to create the basis for the high-tech economy of the future and the profitmaking of the institutions that are regarded as private enterprises. It was decades of work under public funding with a very anticapitalist ideology. So according to capitalist principles, if someone invests in a risky enterprise over a long period and thirty years later it makes some profit, they're supposed to get part of the profit, but it doesn't work like that here. It was the taxpayer who invested for decades. The profit goes to Apple and Microsoft, not to the taxpayer.

YANIS VAROUFAKIS: Indeed, indeed. If you take an iPhone apart, every single technology in it was developed by some government grant, every single one.

NOAM CHOMSKY: And for long periods.

YANIS VAROUFAKIS: And some of them by government grants from other countries, like WiFi from the Australian Commonwealth.

NOAM CHOMSKY: And it's—you see an interesting picture of it from a place like MIT, or other major research institutions. So if you walked around the building where I work fifty years ago, you would have seen electronic firms, Raytheon, ITech, others, IBM, there to essentially rob the technology that's being developed at public expense and seeing if they can

turn it into something applicable for profits. You walk around the institution today, you see different buildings, you see Novartis, Pfizer, other pharmaceutical, big pharmaceutical corporations. Why? Because the cutting edge of the economy has shifted from electronics based to biology based, so therefore the predators in the so-called private sector are there to see what they can pick up from the taxpayer-funded research in the fundamental biological sciences, and that's called free enterprise and a free-market system. So speak of hypocrisy, it's pretty hard to go beyond that.

YANIS VAROUFAKIS: Quite right. This hypocrisy is fundamental to the whole enterprise culture of capitalism from 250 years ago.

NOAM CHOMSKY: From the beginning.

YANIS VAROUFAKIS: I mean the whole notion that there can be a market system which is at an arm's length separated from a state, which is the enemy, is the sickest joke in the history of humankind. If you think that this narrative of private wealth creation which is appropriated by the big bad wolf, the state, on behalf of trade unions and the working class that need a social welfare net, is just a preposterous reversal of the truth that wealth is being created collectively and appropriated privately but right from the beginning. I mean, the enclosures in Britain would never have happened without the king's army and without state brutality for pushing peasants off their ancestors' land and creating the commodification of labor, the commodification of land which then gave rise to capitalism. Just half an hour ago, we were being shown, some of us, the magnificent collection of maps of the city of New York in this wonderful building and you could see in one of the maps of Alabama, the precise depiction of the theft of land from Native Americans, the way in which it was parceled up, commodified. Now that would never have happened without the brutal intervention of the state and created the process of privatization of land and therefore of commodification.

NOAM CHOMSKY: Actually one of my favorite passages from Adam Smith is where he gives advice to the new colonies, to the newly liberated colonies, as to how they should

pursue sound economics, which is pretty much what the IMF tells the third world today. What he said is the advice was you should concentrate on what was later called comparative advantage, produce agricultural products, you're good at that, export furs, fish, and so on, but don't try to produce manufacturing goods, because Britain, England has superior manufacturing goods, so therefore you should import them from England, they're good at that, you're good at cotton and corn. Incidentally, the cotton was hardly by free enterprise. And you should certainly not try to monopolize the resources that you have, and if you pursue those practices, then everybody will be better off, economic theory proves that.

Well, the United States happened to be free of English control so therefore they were able to do the opposite, just as England had done. High tariffs to block English goods, enabled them to create a textile industry, the beginning of the industrial revolution. Later in the century a steel industry blocking superior British steel, and right up to the present, as I've mentioned, with high tech.

As far as monopolization is concerned, the United States made a major effort to monopolize the basic resource for the early industrial revolution, namely cotton. That's the oil of the nineteenth century, and the U.S. had most of it, not all of it, and the conquest of Mexico, which was not exactly by free enterprise, was largely undertaken to try to contain, to gain a monopoly of cotton which would overcome the major enemy in those days, which was Britain. Britain was the big force, the enemy, and the Jacksonian presidents, Tyler, Pierce, the mid-nineteenth century, their position was that if we could monopolize cotton, we could bring England to her feet, that way we could really defeat them. Didn't quite make it, but made a lot. Incidentally, that effort was what Saddam Hussein was charged with in 1990, the charge was ludicrous, but the charge was he was going to try to monopolize oil and bring us all to his feet, which was crazy, but the U.S. try to monopolize cotton and that's part of the way in

which power shifted from England to the United States, and I think that's a pretty good record of the way sound economics has worked over the years.

There have been places where sound economics was applied, liberal policies. It was called the third world and it's not an accident. You take a look at the global south. One country developed, Japan, the one colony that was not colonized. Take a look at East Asia, the tigers of East Asia, with one exception, the one that was conquered by the United States, 1898, with a couple hundred thousand people killed and stays semicolonized, not part of the Asian Tiger explosion of industrialization. The pattern is just uniform but somehow hasn't entered economic theory. I wonder why. You're an economist.