



Information that moves

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Yanis Varoufakis on Germany's Role in the European Union & "Multi-Speed" Europe

NOTE: This transcript may not be 100% accurate.

Question: How does the system of surplus and deficits function within the European Union? Being a surplus nation, is Germany's position and stance benefiting Europe?

Yanis Varoufakis: Every monetary union comprises deficit and surplus regions and countries. Germany is a monetary union, and you have East Germany that will always have a deficit to Western Germany. And actually, this deficit is getting worse, not better.

So the idea that everybody should be a surplus region is preposterous. Because my surplus must be somebody's deficit. And if you have a monetary union that is simply a union between – you know – just a money union of surplus and deficit countries, you're always going to have huge and increasing capital flow imbalances.

So the money that accumulates in Frankfurt, for instance, is going to find its way to Spain, to Ireland, to Greece, in the form of loans, because money always flows to the deficit regions, because deficit regions are the ones that, because they are in deficit, the scarcity of money and the price of money is higher, the real rate of interest.

So they will always be able to lend it more expensively to the weakest parts of the monetary union, and that creates bubbles in that part of the monetary union, which then burst, then you have austerity, then you have bail-outs, it's a disaster.

Unfortunately, the German government, the conservative government of Germany – or conservative the SPD government of Germany – has always resisted a rational discussion of how to deal with this problem.

The dogma that “your debt is your debt, and it has nothing to do with me, even though we're in the same monetary union and your debt is essential to my surplus. It is absurd. And this absurdity and the denial that we need to have this conversation in Europe, which comes mainly from Berlin, is a major contributor to the crisis, which is now biting here in Germany as well, in the form of negative interest rates and so on.

Question: What do you think about the term “multi-speed Europe,” which is increasingly being used by European politicians? What should we take into account when we hear the term?

Yanis Varoufakis: Europe is fantastic at creating new terms by which to hide realities. So the number one objective of the European Union was convergence. You will recall that, the idea was to bring different countries closer together and effectively to have a one-speed Europe where everybody’s converging.

And the Germanies and the Greeces become closer together in terms of the competitiveness gap, in terms of incomes per capita and so on and so forth. This failed. This failed spectacularly. The failure of this is a failure of the European Union. It is becoming increasingly a European Disunion.

Now, in its infinite wisdom, instead of admitting failure, and doing something about it, trying to correct it, Europe has decided that it will give it a new name, give the failure a new name, and proclaim its success. So they called it multi-speed. Now we have got all for multi-speed Europe, instead of saying now the EU is the ED, the European Disunion. So, you know, this is what we do. We rename failure success and then we celebrate.

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