



## Trumponomics, BREXIT, German Elections & the State of the Europe Union | With Yanis Varoufakis

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**acTVism Munich:** Welcome to acTVism Munich, I'm your host Zain Raza.

Western Politics appear, for the common person at least, to be in disarray and in a state of dysfunctionality. In the most powerful and richest country, the United States of America, the Trump administration, some argue, is implementing economic policies that are only going to benefit the one percent.

In Britain, the jury's still out on Brexit. Will we erect new fences and barriers, or will freedom prevail in Western Europe?

In Germany although unemployment levels are below six percent, a far-right, nationalist, xenophobic party, the AfD, has become the third-largest political force. And yet, establishment parties in Germany are unable to find consensus within their own ranks, let alone conjure economic and social policies that will address the needs of Germany, and for that matter, of Europe.

In Europe's periphery, unemployment continues to remain high, especially befalling the youth. In places like Spain and Greece, youth unemployment is around 40 percent. This is not only eroding the European idea but contributing to nationalism and separatism.

Today I'm joined by Yanis Varoufakis, an intellectual and activist, who is paving a new path with his socio-economic, progressive pan-European plan, called the European New Deal. Yanis is also the co-founder of the Democracy in Europe Movement, former finance minister of Greece, and the author of many books, the latest being *Adults in the Room – My Battle with Europe's Deep Establishment*.

Yanis, thank you so much for joining us today.

**Yanis Varoufakis:** Thank you for all the good work you're doing.

**acTVism Munich:** So, before we start this series, I want to tell our viewers, we did a whole educational series on the European New Deal, which Yanis conjured. So, go back to our YouTube channel, and check out the entire video list.

So, Yanis, let's start with the United States. The Trump administration recently announced deep tax cuts, and right after that, Apple announced that they would be investing 350 billion dollars back in the United States and create 20,000 jobs. Even Germany's car manufacturers are enthusiastic about this. What is your assessment on these tax cuts and what effects will they have on the United States and in Europe?

**Yanis Varoufakis:** It constitutes the largest transfer of wealth and income from the have-nots to the haves since the Ronald Reagan and George W. Bush tax reforms. Every time the Republican party in the United States reforms the tax system there is a gigantic shift of income from the poor to the rich. It's really very simple.

The numbers that you just quoted are pitiful. But they couldn't be otherwise, because think about it: you mentioned Apple. Apple already had 265 billion dollars parked in bank accounts. That is surplus money which is sitting there, in their bank accounts, doing nothing. They're refusing to invest it. It is a preposterous notion that if you give them a tax cut, if you give them another 30 billion, 50 billion, that they are going to invest more. Why would they? It's not the lack of funding. They have 260 billion sitting there doing nothing. Why would they invest the additional funding that they would get from the rest of American society when they are not doing it with the money that they already have sitting there?

This is a more general repercussion of the way in which the 2008 great financial international crisis has created ripples and sub-crisis that we are still laboring under. After 2008 globalized, financialized capitalism has ended up in a situation where we have worldwide, and more so in Europe and the United States, the highest level of idle savings in the history of capitalism. If you compare two mountains of money, one is savings, money that is sitting there, doing nothing. And the second mountain is investment. The investment mountain is the lowest we've had for decades, and the savings mountain is the highest we've had for decades.

This simply reinforces the view, the truth, if you want, it establishes the truth that capitalism is failing to reproduce itself. It is failing to create investments that could then give rise to incomes, which are necessary in order to purchase the stuff that industry can produce. And therefore, industry under-invests, there is a small, there is a dearth of good-quality jobs, and that feeds into discontent and the result is, you have the "Alternative für Deutschland" in Germany, and you have the Trump administration.

You mentioned that Germany has a lower level of unemployment. Yes, but at the same time you have very poor-quality jobs, you have very, very badly paying jobs. So, overall, the wage share, as we say in economics, the proportion of income that goes to workers is very low in Germany, it's the lowest it's been since the post-war era. And that, of course, feeds into discontent.

So, the Trump administration, effectively what it does, it does what all administrations under the so-called neo-liberal order have been doing. But, of course, Donald Trump being Donald

Trump, he supercharges that. He does what everybody else is doing with a great enthusiasm that others cannot emulate.

**acTVism Munich:** So, we can safely assume that the 200 billion dollar infrastructure plan that he just announced, and he said, I quote, “it’s a historic investment plan”, more or less, and he said also that they’re going to undo a lot of red tape, and this will be a public-private partnership.

How would you assess this infrastructure plan? Is it reminiscent of Roosevelt’s 1930’s New Deal?

**Yanis Varoufakis:** It is a complete and utter joke. It doesn’t exist. It is a figment of Donald Trump’s imagination. Trump got elected on the basis of two promises, if you want, at the economic level. The first promise was to the rich: I’m going to cut your taxes. And the second promise was to American society, to the great amounts of people that especially from, you know, white working-class blue-collar workers in the United States, who are struggling, have been struggling for a very long time. And they voted, en masse, for Trump. He’s promised to them, well okay I will cut the taxes of the rich, but I’m going to implement a New Deal program, a large infrastructural investment program, from which you’re going to benefit, because there will be jobs for blue-collar workers, re-constructing bridges, building roads, funding new dams and green technologies and so on.

He did fulfil his promise to the rich. He cut, savagely, corporation tax from 35 percent to 21 percent. This is a major source of celebration for the ultra-rich in the United States. So, he was true to his promise to the rich. What did he do with all the poor, and the blue-collar workers that supported him? He cheated them. This New Deal program, this infrastructure program, is a complete and utter joke. 200 billion is a pittance, especially if you take into consideration the fact that it will be phased in for 10 years, so it’s like 20 billion. 20 billion is not even worth mentioning, it’s chicken feed. And the rest is supposed to come from the states. But the states have no money. And he’s not planning to give them any money.

To make it even worse, he’s, at the very same time, cutting everything else. So, it’s not a net injection into the economy, he’s going to take this money from medicare, from medicaid, from the provision of basic insurance to common folks. There’s going to be a reduction in the amount of money the federal government is spending on environmental cleanups. So, the net effect is zero, it may be negative. In other words, there is no New Deal, there is no infrastructural program. Donald Trump has purposely, willfully, strategically, decided to honor his promise to the rich and to defraud the poor.

**acTVism Munich:** So, what should European progressives, and American progressives, do at this point in time? We know that the elections are going to be in 2020, I believe, and, what should, right now, what issues should they be paying attention to, and what should they be organizing and mobilizing around?

**Yanis Varoufakis:** Well, first a comment. Europeans have no right to be smug about our situation, while criticizing and chastising Donald Trump. Because Europe has been just as pathetic as Donald Trump has been, in introducing investment plans. Think about the great

promises by Mr. Jean-Claude Juncker, when he got elected to be president of the European Commission, the Juncker Plan of the many, many billions that was going to go into a new deal for Europe, an infrastructural spending program. None of this happened. This was all pre-existing money, money that was already going to be spent, that was reassigned.

And again, exactly what Donald Trump is doing, to say, this will be public-private ventures, this was exactly the Juncker Plan. So, once again, even though here in Europe we like to talk a good talk, and to chastise Americans for having elected Donald Trump, and Donald Trump himself, we have it no better here. Okay, I close the parenthesis.

What should progressives do? We should band together, we should join forces across the Atlantic, European progressives and American progressives, to introduce an international New Deal project, whereby both the United States and Europe, under progressive leadership of course, implement a global New Deal, an international New Deal, one that involves two pillars. One is, investment banks, public investment vehicles, and a green transition-works project. You mentioned FDR, president Roosevelt in the 1930s and 1940s, he had created a works agency. We need to create a works agency in Europe, and the Americans need something similar, while at the same time our investment banks must issue the bonds that are necessary in order to soak up the excess liquidity in the private financial sector with the support of the Federal Reserve in the United States and the European Central Bank through quantitative easing, that is having the central banks purchase those bonds in the secondary or even in the primary markets.

This is the only thing that can prevent this perpetual crisis, which feeds into right-wing populism and racism. But, of course, in order to do that, we need to win power. Donald Trump has many disadvantages and is bringing untold hardship and risks to the world. But he has demonstrated that it is possible to win against the established order, in order to produce a radical plan. The tragedy is that his radical plan is misanthropic.

What we need to do as progressives, since you asked, in Europe and the United States, is win, in order to introduce a philanthropic, a humane, a rational, green New Deal across both sides of the Atlantic Ocean.

**acTVism Munich:** We can also argue that if it wasn't for the shenanigans of the Democratic party we might have had Bernie Sanders.

But, putting that aside, let's move on to Britain. For the common people in Germany, especially the media, there's a lot of talk about Brexit, but there's no concrete explanation, so people are like, there's a lot of smoke around this issue. So can you give us a background on the Brexit negotiation and whether you think a second referendum should be undertaken?

**Yanis Varoufakis:** Well, for the benefits of full disclosure, DiEM25 and me personally, we campaigned against Brexit. So, we are staunch anti-Brexiters. Why? Not because we think the European Union is made of roses and good mechanisms and institutions, no. We think that the European Union is a democracy-free zone that we must confront, but not disintegrate. We have a duty to be inside this European Union against this European Union. That is our view,

and I'm stating it for the purpose of making sure that our audience, our viewers, know exactly the foundation, the assumptions, or the prejudices with which I'm answering your question.

So, having established that, let me proceed to my answer. The tragedy now with these Brexit negotiations is that you have a London government and the Brussels establishment negotiating when neither of them care about the interests of the people of Britain, and the interests of the people of Europe. The London government is only interested in survival, political survival, of the British cabinet. The British prime minister is extremely weakened, she's presiding over a government that lacks a majority in parliament, an absolute majority in parliament. Every single member of the cabinet wants to stab her in the back, while they are prevented from doing so, because they want her to deliver first a bad Brexit deal that she is going to be condemned for, so that they can then elevate into her position if they can. Not exactly a government in pursuit of the interest of the people of Britain.

On the other hand, in Brussels, you have a European Union establishment, for whom a mutually advantageous agreement, Brexit agreement with Britain, is a nightmare, because they're not interested in such a mutually advantageous agreement. Such an agreement would signal to other member state in Europe that they can confront Brussels, they can threaten perhaps with an exit from the European Union, and then end up with a decent deal. So the one thing they want to do is, they want to demonstrate that anyone that votes to get out of the European Union gets a bad deal, even if this bad deal comes at a very large cost for Europeans as well.

So, to put it very bluntly, the negotiations that are now taking place between Britain and Brussels are designed to fail. They are designed to produce a terrible outcome for the people of Britain and the people of Europe. This is why our position as DiEM25 has been from the day after the referendum, that there should be no such negotiations. These negotiations must be stopped, because whatever they will produce is going to be detrimental to the future of Europe and Britain.

How do you stop these negotiations? There are two ways of stopping these negotiations. One is to have a hard, hard, hard Brexit, Britain to be getting out with no deal. That would be disastrous for everyone. There is a second way, though. For Britain to go into a Norway-style relationship with the European Union, where it stays for a period of five-year let's say, renewable, within the European Economic Area, the single market. It then immediately acquires again its sovereignty regarding fisheries and regarding agriculture. It is outside the European Commission, it's outside the European Parliament, so it has fulfilled the mandate for Brexit, Britain will no longer be a member of the EU, but at the same time, let's face it, the referendum of June 2016 did not specify what kind of Brexit, it specified simply that the people of Britain, narrowly, voted in favor of Brexit.

This small-sequence of transition is also going to give the House of Commons an opportunity to debate in peace and in quiet what kind of future arrangements the UK should have with the European Union. It provides no disruption, perfect continuity for business as well as citizens both in Britain and the European Union, and in the end, is the only sensible way of proceeding. The only sensible transition period that we need.

You asked me about a second referendum. I think that a second referendum by which to try to annul the first referendum would be awful. It would be awful because it would be signaling to those who voted for Brexit that their views are not taken seriously. Let's face it: if the referendum had delivered a remain verdict, there would never be a second referendum, there would never be a discussion of a second referendum. So it is like telling the Brexiteers, those who voted in favor of Brexit, that you're second-rate citizens. When you win, we ask the people of Britain to go back to the Ballot boxes until they deliver the right verdict.

So, even though I'm a remainer, radical remainer, but remainer nevertheless, I think that as a democrat I cannot possibly condone a second referendum. Brexit has to take place, but I think that the Norway-style agreement would provide the continuity and the mutual advantages that are necessary both for Britain and the European Union.

Personally, I would like to see a second referendum in 2024/2025, not to annul the first one, because Brexit must take place, no, but to have a campaign, trying to convince the people of Britain to re-enter a reformed and progressive and democratized EU at some point in the future. But that is for the future.

**acTVism Munich:** So, let's move on to Germany then. But before we talk about the recent political events, I want to talk about Martin Schulz, the former president of the European Parliament. Since last year there was a lot of hype about Martin Schulz, and some of the German media forgot to mention his role in the European Union. So, can you talk about his role when he was the president of the European Parliament, and his approach towards European countries like Greece?

**Yanis Varoufakis:** Well, I can tell you from personal experience that Martin Schulz, like quite a few social democrats from Germany, talked sweetly about Greece, but, when it came to the crunch, when it the came to the moment when the Troika was pushing the knife inside our back, Martin Schulz was completely aligned with the Troika. I think that the people of Europe know that, that the people of Germany understand that.

But moving beyond this, Schulz likes to present himself as a great Europeanist, and the voice, the pro-EU voice in Germany, in German politics. Well, nothing could be further from the truth. This is all just propaganda, it's all about image. It's not about reality, it's not about substance. Let me remind you that when Emmanuel Macron issued his proposals for a federation light, as I call it, a small federation for the Eurozone.

And what was the main proposal? The proposal, by the way, I thought, was too lukewarm, too little, and too late. But, nevertheless, he put forward his proposal for a common budget in the Eurozone, and a common finance minister that would be managing the budget. Immediately the Christian democrats in Germany said that, "Nein", Wolfgang Schäuble said, No, we have the European stability mechanism, we can turn to the European Monetary Fund, effectively making countries that borrow from that common fund fall more or less under a similar regime of colonialism as Greece, when Greece borrowed from Europe as part of their so-called bailout.

So, it basically was an outright rejection by the Christian democrats, which you would have expected. What did Martin Schulz say? Exactly the same thing. He refused to side with Emmanuel Macron on the common budget, and he himself spoke in favor of a European monetary fund. So, the trouble with social democrats, German social democrats, SPD, establishment political figures, is that they like to present themselves in a pro-European light, when in reality, when they actually make the decision and they have to come down one way or the other, they always fall into the camp of the liquidationist, Wolfgang Schäuble, like Christian democrats. This is why they are now sliding in the polls, and very soon they will be below the “Alternative für Deutschland”.

**acTVism Munich:** So, the SPD and the CDU recently struck an agreement, although it has to be still finalized by its members on the fourth of May, I believe. In this coalition agreement the SPD gained a lot of ministries, including the influential foreign affairs and finance. Do you see this as the revival of the SPD?

**Yanis Varoufakis:** I see this as the Waterloo of the SPD. The reason why the SPD is falling in the estimation of the German working class. The reason why the German workers and the German progressives are turning their back to the SPD is the SPD’s continuing, continual, continued co-opting, or being co-opted into the Christian democrat liquidationist regressive mindset and politics. By striking a deal that maintains their access to ministerial offices and limousines, in exchange of this continuing acceptance of the Christian democrat liquidationist anti-European, in the end, mindset, in exchange for a few trinkets here and there in the domestic scene, is what will end with the tragedy of the social democratic project that we’ve seen elsewhere. In France, the socialists, the social democrats there, had disintegrated as you’ve seen. In my country, where, you know, all bad things begin here in Greece, the socialist party went from 44 percent of the vote to four percent of the vote, as a result of being co-opted by the spirit of the Troika, if you want, which is now completely and totally dominant even in countries like Germany.

And it will end like this, I told Sigmar Gabriel in one of our meetings, that if you continue this way you are going to have the fate of PASOK. No wonder he didn’t like me very much. But actually, I think that this is being confirmed by the process of history.

**acTVism Munich:** Let’s move on to Spain now, specifically about Catalonia. Can you comment about the stalemate there, and also, since as a finance minister of Greece you were making Plan B’s for a digitalized banking system that had also the tax ID code, I believe, is it possible for Catalonia to separate and somehow not run out of liquidity, because I believe that the European Union won’t actually allow this move to happen.

**Yanis Varoufakis:** Well, let’s relax about these matters. Let’s try to detoxify the toxic political debates in Catalonia and in Spain. The tragedy of the last year in Catalonia and in Spain has been the breakdown of any serious debate, any serious dialogue between competing views on the Catalonia issue. Every time our democracies lose their capacity to provide a forum for a reasoned dialogue, we all suffer. The events of last autumn with the scenes in polling stations in Catalonia, where the civil guards and the Spanish civil guards were beating up voters, the fact that we still have politicians that are in prison for their political beliefs and cam-

paigns, in a European country like Spain, is deplorable.

These are deplorable acts. And when you have Jean-Claude Juncker, the president of the European Commission say, this is an entirely Spanish issue, this is the moment to seriously worry. Because what kind of message does this send to liberal democrats throughout Europe, in Hungary, in Poland, in various countries, in Austria now, that have ultra-right-wing governments, who are planning the next round of diminishing civil liberties, civil rights and the rule of law. It sends a very bad message.

So, as DiEM25 we have been pursuing a European, a pan-European agenda, for Catalonia and for other parts of the European Union, or member states of the European Union, that may be considering seceding from their nation state. We think that there must be agreed rules under which we decide as Europeans that a certain region should be granted the right to hold a binding referendum on secession. All the issues concerning the monetary system, currency, taxation and so on, must be embedded in this European democratic process. What you mentioned, a potential digital currency for a country like Catalonia, if it becomes a separate country, these are all emergency measures that will have to be implemented if the rule of law breaks down and if we fail to Europeanize the problem and find a European solution to it.

**acTVism Munich:** So, let's talk about Greece. There was a lot of talk last year about economic recovery. I believe that was the same line before you came into power in 2015, the great economic success story of Greece. So, at the behest of the creditors, a new law was recently passed that limits the workers to strike, which ignited a wave of protests at the moment. So, can you talk about this contradictory situation? At one hand, there's recovery, but at the other hand, people are protesting a new law?

**Yanis Varoufakis:** There is no contradictory situation, there is no recovery, and that is why we are not so much demonstrating, because you don't have that many demonstrations in Greece anymore. People are so depressed. And you see, depression has two meanings, one is economic depression and the other is a psychological depression. And now we have both like a dark cloud hanging over our cities and our countryside.

The story that you hear a lot of, that Greece has now recovered, reflects the English expression, "adding insult to injury". Not only are we continuing to fall into the black hole of our debt deflation, our crisis. But also, we have the oligarchy here in Greece, the media that they control, as well as the oligarchy and the media outside of Greece celebrating the end of the Greek crisis. It's pure wishful thinking, it's pure propaganda. To quote Tacitus: they made a desert and they called it peace.

Let me give you a very simple example. People say, but look, Yanis, you know, or Zain, the employment rate has decreased significantly from 27 to 20 percent – still 20 percent is a ludicrous number, but nevertheless – yes it has decreased. But why has it decreased? Because people have left the country. Especially young, well educated people have left the country. Is this a reason to celebrate or to be depressed? I think the latter.

And also, what we have had is, we continue to lose full-time jobs that are replaced by more part-time jobs on 300 Euros a month. 300 Euros a month. In a country where prices are the

same as they are in Germany, if not higher. And so, when you have two part-timers, receiving 300 Euros each monthly, replacing one full-timer, counts as an increase in employment, when it's not, really. It is a vast diminishing in total hours worked, and, of course, a significant diminishing in total worker income in this country.

So, there's no recovery. We have the same old story: the establishment has been authoritarian and incompetent, they have made the crisis worse, but they decided, well, we will call it a success and we will use the ironclad power of the media in order to impose this narrative on everybody else.

**acTVism Munich:** Yanis Varoufakis, former finance minister of Greece and co-founder of the Democracy in Europe Movement, thank you so much for joining us today.

**Yanis Varoufakis:** Thank you Zain.

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