



Yanis Varoufakis: "The Coronavirus is going to accelerate the post 2008 Crisis"

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Yanis Varoufakis: “Hello, this is Yanis Varoufakis on behalf of DiEM25, of our Democracy in Europe movement with some thoughts about the impact of - what else - the epidemic, not just on our daily lives and our health, but primarily on our economy, on our politics, on our morality, on the way we deal with asymmetric or symmetric threats. This epidemic like all epidemics has these two separate but of course, related realms. One is the impact on our health, on the way it changes our lives with isolation, with the cessation of normal activities, fear of illness. But at the same time, there's the epidemic that spreads throughout the political economy of global capitalism. Undoubtedly, the Coronavirus is going to accelerate the post 2008 crisis. Now, don't let anyone tell you that that crisis ended and now we have a new one. The 2008 crisis never ended. It morphed into different forms. It travelled from one continent to another, took different forms. But nevertheless, it has always been with us. The world never went back to some kind of equilibrium after 2008. Capitalism is unrecognisable today by means of terms of references from the period before 2008. What the Coronavirus has done is it has deepened and accelerated the never ending non-stop crisis that began in 2008.

If you think about it, the reason why there's been a semblance of normality of recovery after 2010 & 2011 was because central banks and governments took it upon themselves to refloat the financial markets and to rebuild the circuits of financialized capital by printing trillions and trillions mountain ranges of money and throwing them at the 0.1 percent at corporations that were already full of money. Take Apple, Google and so on. Borrowing free money from the Federal Reserve in the United States, for instance, in order to buy back their own shares. All that that was doing was boosting inequality massively, stabilizing financial markets but at the same time depleting all serious investment in good-quality jobs, in labour, in health, in education, in the Green transition that this planet needs. This is why there's been so much discontent even before Covid-19 arrived on the scene.

So when Covid-19 arrived on the scene, it found global capitalism that was sitting on a gigantic bubble of private debt that had been minted by central banks on behalf of financial capital. So the problem is that the stock exchange is going up and down. Every catastrophic collapse of the stock exchange can easily be followed by a remarkable boost, the indexes going through the roof. But even if the central banks of the world, the Federal Reserve, the Bank of Japan, the Bank of England, the European Central Bank, even if they manage to refloat capitalism again in the same way that they did in 2008 & 2009, that is not going to bring us to where we were before Covid-19 and that is so for a very, very simple reason: Covid-19 has pricked the bubble on which financial capitalism was sitting up until now. So even if the financial markets had recovered once more, the level of investment is going to be even lower than it was a few months ago. And let us not forget that a few months ago, the level of investment, especially in important stuff - in things that humanity needs, tangible

goods, green energy and so on - the level of investment in relation to the available liquidity in savings has never been lower than it was even before the Coronavirus. Imagine what it will be like afterwards.

Now, what defences does financialized capitalism have today compared to 2008? This comparison is quite instructive between 2008 and 2020. In 2008, two things saved global capitalism. The Federal Reserve, the central bank of the United States, and China. Of course, later, the governments in Europe, the International Monetary Fund and so on did much in order to complete the job that the Fed and China had begun by shifting cynically gigantic amounts of losses from the private banks onto the shoulders of the weakest taxpayers.

But we in DiEM25 refer to socialism for the very, very few for the bankers and the harsh austerity for the many. But it was China and the Fed that were the pillars that kept financial capitalism going. Both these pillars are today highly depleted. Coronavirus started in China. It damaged significantly the capacity of the Chinese political economy to produce surpluses. It shut down factories, it reduced the growth rate below zero, and therefore it did exactly the opposite to China compared to what happened with the financial crisis of 2008. China is not today in a position to do what needs to be done in order to boost aggregate demand in Germany, in Holland, in Japan, in the United States. China is a patient now. It is not the medical provider. The Federal Reserve could potentially repeat that magnificent feat of 2009 because unbeknownst to many, in 2009, the Federal Reserve extended what is called in the business dollar swap lines to the European Central Bank and to the Bank of Japan and to the Bank of England and to many other central banks. Effectively, the Federal Reserve said to them: We will give you as many dollars as you need in order to cover your positions, your bets in dollars that had gone up in the air. Trillions of dollars were provided by the Federal Reserve to the inane, ridiculous bankers of Germany or France, of Greece, of Japan, and so on and so forth, and therefore refloated them.

They could do this again now. But there are two problems: First, as I said before, this is not going to restore the capacity of capitalism to invest in important things and good quality jobs. That capacity is going to be lessened even from the ridiculously low levels that we had before the Coronavirus hit. But there is another problem. It's called Donald Trump in the White House. Will Mr Trump sit idly by watching the Federal Reserve provide swap lines to German, to the European Central Bank, to Japan, to China, if needs be? I very much fear that he's going to try to attach strings to any such dollar swaps. And if you do try to attach strings and to try to use this as a negotiating tool with the European Union or with China, those things destroy the efficacy of the dollar swap lines. It sounds like a technical issue is not a technical issue. It's quite the question of brute force. In 2008/ 2009, the Federal Reserve used the exorbitant privilege of having the capacity to issue dollars in order to save our financial capital in the rest of the world. Is Donald Trump interested in doing that? If he's not interested in doing that the repercussion would be very simple. We're going to have an even deeper crisis, deeper recession with tangible effects on the lives of people from Hong Kong and Shanghai all the way to Finland, Portugal, Iceland. Everywhere. This is why this epidemic is of great significance to real people's lives across the world.

If there are any lessons to be learned from this latest development in the global political economy, it is twofold. Firstly, the importance of public health systems and secondly, how crucial it is to use public finance for the benefit of the many, not the few. I'll begin with public health. Have you noticed that private health providers resemble rats that are jumping

off the sinking ship? Have you heard anything being discussed regarding the contribution of private hospitals and private healthcare during this crisis of the Coronavirus induced dynamic? No, they are nowhere to be seen. All the discussion in the media, the very same media that before the Coronavirus hit were going on and on about private public-partnerships and how important it is to push money towards private healthcare, because that's more efficient than public healthcare. That's the narrative of the privileged, if you want, which dominated for so many years, decades in the West after Thatcher and Reagan. The very same media that were extolling the virtues of privatization, of hospitals, of private-public partnership and so on, today only talk about the importance of utilising the public health service in order to save our bacon, to save our lives and to ameliorate the effects from the Coronavirus. I'm going to make a very strong statement. I'm not just going to say that private healthcare is inefficient. No, it's not just that they are inefficient. They are destructive. Every Euro, every Yen, every Dollar which is being spent on private health services detracts - not only does not add enough - but detracts - from the capacity of humanity to deal with pandemics. It is about time we eradicate private health service. There is not even a liberal argument in favour of private health insurance of private health systems. They do not work even by the standards of liberal, economic, pro-capitalist, pro-market thinking.

And then there is, of course, fiscal policy. It is interesting that even the Federal Reserve, especially the European Central Bank, under its new president, Christine Lagarde, who, by the way, gets a score of precisely zero out of her first attempt to intervene a few days ago with a press conference in order to steady the nerves of the markets and to show that the European Central Bank will do whatever it takes in order to save, again, the Euro and stabilize the economy. She failed spectacularly. She made two gaffes. I'm not going to go into them. Close the parentheses on this. Even she came out and said, "look, our ammunition as a central bank has been spent over the last 10 years". She didn't use those words, but that's what she meant. "We have refloated financial markets. There's nothing we can do". Think about it. The European Central Bank has a negative interest rate of minus 0.5 percent, it keeps buying all sorts of debt, private debt, public debt and so on. It is at the end of its tether.

And she, on behalf of the extremely conservative European Central Bank, looked at prime ministers and presidents in the eyes and said now "it's your job now to borrow and spend". And what are they doing? It is astonishing. The other day there was a Euro group meeting, the meeting of the European Union's finance ministers of the countries that are using the euro. It was a teleconference. They decided that the Coronavirus poses a clear and present danger of a massive recession in Europe, that it is a highly significant threat to European economies. So much so, the urgency was so great that they decided to do absolutely nothing. They decided that they are going to monitor the situation that they are going to be watching.

You see what happens is the Euro group and the European Union in particular the Eurozone is so terribly structured that they are on autopilot. They simply follow particular rules that cannot be followed without wrecking our economies. This is not just a reflection of inanity. It is that as well, but it is a reflection of a system that has been created in order to prevent governments from acting on behalf of society. That is, if you want the neoliberal kernel inside Europe. They are talking about doing whatever it takes within the fiscal compact, which means nothing because the fiscal compact is like an armed cage of austerity from which you cannot escape - and you need to escape from an iron cage of austerity if you're going to do anything about the green transition which is so essential - or about dealing with

the wholesale recession that the Coronavirus is going to bring again to a Europe that has fallen behind the rest of the world as a result of such a stringent austerity package that began in Greece in 2010 and then spread out like a cancer out of control throughout the European Union.

So let's recap. We live in a world which is not governed in a way that allows us to see any light at the end of the tunnel regarding the handling of capitalism's never ending crises, which the Coronavirus has now turbo charged. The European Union has never been less competent than it is now. The European Union has never been less capable of acting as a union than it is now. DiEM25s proposals over the last four years since our inception about a common investment policy based on an alliance between the European Investment Bank, the European Central Bank. (Note: Still Talking about the alliance and its purpose) About the universal basic dividend, about a carbon tax and about a social equity fund, the purpose of which would be to energize both private capital and public finance or public financial instruments in order to take the mountain ranges of liquidity that exist in our financial circuits and put it into good use. Press them into public service in terms of public health, in terms of the green transition, in terms of creating good quality jobs. That agenda, DiEM25, has never been more pertinent and has never been more urgent than today. We can see that all the arguments of the liberal establishment - effectively business as usual - it took one little virus in order to wrack them. We've seen that the idea of Lexit, of a left wing exit from the European Union, all it did was it strengthen people like Boris Johnson and the right wing exiters, the nationalists, the ones who want to build taller walls between our countries and the ones who are benefiting politically by turning one proud nation against another, one person against another, one member of the working class against another member of the working class. We have seen the inability of existing nation state based political parties to come together and to issue a common manifesto, a common policy agenda for the whole of the European Union. DiEM25 is the only one that has done it, we did have our Green New Deal, we do have it.

The Green New Deal can very easily be seen as the only foundation on which we can simultaneously build the investment in the green transition, which is essential in order to give us breathing on this planet, and the public health services that are essential for dealing with a pandemic like this one.

On behalf of the DiEM25 - "Carpe Diem" as we say - the world is going to become a worse place very, very soon. But it is up to us to fight in the context of a transnational movement like what DiEM25 is building in Europe. Like what the progressive international is doing across the world. We'll have more to say about this later on, especially in September when we reconvene the progressive international up in Reykjavik in Iceland. It is essential that we keep struggling because our ideas and our blueprint make sense. They are rational. They're immediately implementable. All we need to do is to change the politics of a continent, Europe, that is finding it impossible to reproduce itself under the present circumstances without the fundamental, profound transnational progressive politics that we advocate as the DiEM25. Thank you."

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