



Economic Update: Varoufakis Critique of Capitalism Today

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Richard Wolff (RW): Welcome friends to another edition of Economic Update, a weekly program devoted to the economic dimensions of our lives and those of our children. I'm your host, Richard Wolff. Today's program will be devoted in its entirety to an interview with Yanis Varoufakis. He is a member, even though I know many of you don't need this information, I want to give it to you anyway, he is a member of the parliament in Greece and he is a parliamentary leader of the party that he helped found known as the European Realistic Disobedience Front. It belongs to the larger European wide organisation Democracy in Europe Movement 25. I have known Yanis for quite some time. We have worked together on occasion. I have admired his intellect, his writings in the economics field that I share with him and his leadership on many, many levels over a long period of time. I'll get into that in a moment. So I count him as a friend and a colleague and someone who deserves the respect of a world that has fewer and fewer political leaders that deserve much of it. In his own words, Yanis Varoufakis was, quote, "thrust into the public scene by Europe's inane handling of an inevitable crisis." I love it, in the few words he was able to get in the whole theory of how crises happen in capitalism on a regular basis and each time seemed to be handled by the bourgeoisie, if I can say that, as if it were a surprise and stunning and unique and somehow exceptional, when it is none of those things. In January 2015, he was elected to Greece's parliament with the largest majority in the country, and he served as Greece's finance minister between January and early July of 2015. During those tumultuous six months, he fought against three institutions determined to impose on the poorest of Greeks the harshest austerity in history. Those three institutions: the International Monetary Fund, the European Commission and the European Central Bank. Yanis Varoufakis resigned from the Finance Ministry when he refused to sign a loan agreement that perpetuated Greece's debt deflationary cycle. A politician with principles who resigns when those are violated, even by his own closest associates who were struggling within that Syriza period of Greek history. In 2016, Varoufakis co-founded the Democracy in Europe Movement 25. Two years later, in

2018, he launched its Greek electoral wing. That's that disobedience front I mentioned. And together with U.S. Senator Bernie Sanders, he established the Progressive International, a global movement with 200 million affiliated members worldwide. He has constantly been speaking, writing and politically active as a critic of the capitalist status quo. I am enormously proud and pleased to bring you, Yanis, to our microphones and to our cameras.

YV: Thank you, Rick. I'm also very, very honoured to be on your program again. And as you know, but maybe not everyone in our audience knows, I have appreciated what you have been doing on the other side of the Atlantic for decades now, which is to keep the flame going, the flame of a marxist critique of US capitalism, of global capitalism. You were amongst the very few economists who continued to make the point of the immiseration of the American working class through a combination of wage austerity and financialization, piling up huge loans upon them to keep the American dream going. Before, in 2008, the whole house of cards came down and the working class of America was left with absolutely nothing but destroyed dreams of the American dream of financialization, that they would make it big by scaling up their mortgages. Your work at that front has been inspirational on this side of the pond here in Europe. So thank you.

RW: Very kind of you. Thank you, Yanis, too. Let's jump in now and give our audience a chance to hear you're thinking about it. Let's start with what is very much shaking this side of the Atlantic and maybe also your side, the so-called banking crisis that we are in. That was precipitated, even though it's been building for a while, it was precipitated by the collapse of the Silicon Valley Bank in California, the Signature Bank in New York, perhaps also Credit Suisse in Switzerland. And you have made a remark that I thought would be a good place to start. Your comment, at least as you are quoted, quote, "Let the banks burn". Tell us a little bit what you think is going on and what that quotation means.

YV: Let me preface my comments with the strong conviction that this is not a new banking crisis. This is exactly the same banking crisis that we experienced in 2007, 2008. It never went away. It's not that it was fixed and now it's coming back. The crisis of Wall Street or the smaller banks of the shadow banking system, both in the United States and across the European Union and the United Kingdom, that crisis never went away. All that happened was that sometime at the beginning of 2009, once the Obama administration had been sworn in and the G7 leaders and central bankers gathered in London under the aegis of a certain Mr. Gordon Brown, the then Labour prime minister, they decided essentially to print more than 30 trillion USD in order to refloat finance without fixing its structural problems. Because these problems are impossible to fix without effectively undoing the whole model of globalisation that was built since the early 1990s. So what they did in 2009 was a little like administering very large doses of cortisone into a cancer patient. The tumour doesn't go away, the patient seems perkier, seems to be doing better. Crisis has not gone away. In the [inaudible] I think that the crisis is actually worse now. Because back in 2007, 2008, we discovered, did we not?! Once we looked at [inaudible] JP Morgan, Barclays Bank in Britain,

Deutsche Bank and so on, they were full of fraudulent subprime and derivative trades. There was predatory lending, they were shenanigans. It was just pure corruption, which of course was inflated by the policies of Alan Greenspan. And the neoliberal cabal that was ruling the United States and Europe since the 1970s. Now, since then – you mentioned the Silicon Valley Bank, you mentioned a number of banks, including Credit Suisse, the Swiss megabank, which has a very tackled past, a very sordid and corrupt bank. But nevertheless, they were nothing as bad as Lehman Brothers or JP Morgan or Barclays. Nothing as bad. If anything, they were following the rules, the rules that were set down for them by the Obama administration, by the European Central Bank, by the regulatory authorities in the United Kingdom. All that had happened was the policy of socialism for the bankers, the 30 plus trillion that was minted by our central banks to effectively refloat finance that had infected the whole of the corporate world. Essentially, there was a combination of one thing. First thing was the underinvestment, massive underinvestment, which was due to the austerity that went hand in hand, the austerity for the many, that went hand in hand with the subsidies for the bankers. And on the other hand, the purchase by central banks of government bonds, thus keeping their value artificially high. The banking system was encouraged to purchase these bonds, so there was this transfer of money minted from the central bank onto the books of the private banks, but in the form of inflated public debt. This may sound very complicated to our audience. It's not very complicated. It's really very easy. Capitalism had fallen on its face. It was refusing to get up. The only policies that could have helped bring capitalism on its legs again would be a kind of New Deal, Rooseveltian New Deal, a serious investment program, a work program, a program of transferring money to the people that would actually spend it if they had it; to the poor and to the weak. That never happened because finance never allowed the Clinton's of the world and the Brown's of the world and the European Unions of the world to do that. So instead they pumped huge quantities of cortisone into our banking system and our public debt system. And, you know, anybody who knows anything about medicine, I know very little about medicine, but anybody who knows anything about medicine knows that if you pump huge quantities of cortisone into a patient, it's not going to end well. So we have the same crisis that began in 2008 continuing today. So let me come to the provocative title of my article, "Let the banking system burn". Well, there are two things you can do with the banks. One is to continue to prop them up, socialism for the bankers. The second thing is to deny them the monopoly that they enjoy over our payment system and over our savings. Now, if a banker out there wants to take the risk of borrowing money from you or from me in order to lend it to somebody else at a slightly higher interest rate, I'm happy for them to do it. But this is not what's going on. What is going on now? Well, it is that banks force you to keep your money with them because they own the monopoly of the payment system. With digital technologies today, there is absolutely no reason why the Fed could not give a digital wallet to everyone where they can store with 100% safety their savings and effect transactions. All they need is a PIN number to pass money from one person to another effectively. You would have a digital ledger that belongs to the Fed, and when you make a payment, a sum of dollars will go from your little cell, on that ledger to the coffee shop's ledger. And that would be it. That would be a remarkable revolution. It would cut off the middlemen, the bankers. It would

allow us to say to bankers: Well, if you fail, you fail. We don't care. You are never going to be too big to fail because you are not going to have the monopoly over our payment system. The tragedy is that even the bankers understand that there is a logic to this. But of course, the reality is that they have so much political power that they will not allow the Fed or the European Central Bank to do it, even though the Fed and the European Central Bank – I have this on good authority from within – that they are experimenting with these digital wallets. They know that it will be a very efficient way of running as a public utility or payment system. But they also know that Wall Street has too much power over our governments, so much power that they are going to utilise in order to stop the Fed and the European Central Bank from doing that.

RW: Would you agree with the following sentence? We are living through the decline of the American empire and of its capitalist centre. Stay with us, Yanis. And to our audience as well. Stay with us after a short break we'll be right back to hear what Yanis Varoufakis has to say in response to the question. Before we move on, I want to remind everyone that Economic Update is produced by Democracy at Work, a small donor funded non-profit media organisation celebrating ten years of producing critical system analysis and visions of a more equitable and democratic world through a variety of media. Like the long form lecture series I host called Global Capitalism, designed to help others understand current economic events and trends so they can explain the impact and effects capitalism creates across the globe to others. Global capitalism is available on our website democracyatwork.info. There you can also learn more about everything we produce, sign up for our mailing list, follow us on social media and support the work we do. Please stay with us. We will be right back.

RW: Welcome back, friends, to the second half of today's economic update. We are speaking with Yanis Varoufakis, a member of the Greek parliament. And before the break, I had asked him what he thinks about the sentence: The American empire is declining and with it its capitalist centre. So let me turn it over to you again, Yanis. What do you think?

YV: Well, in one sense, the United States economic machine has been faltering and declining since the mid-sixties, as you know, when the United States lost its trade surplus. And the result of that was, as we know, that Richard Nixon, on the 15th of August, 1971, blew up the Bretton Woods Systems that the United States had created. Why? Because America was no longer capable due to it being a deficit country to maintain the global dollar based system they had created after 1944. So in that sense, there's been a decline. Back in 1970, when Henry Kissinger was not even in the State Department, he had put the question to his entourage, and the question was very similar to yours. "Now that we are declining as an economic power, how can we maintain our hegemony?" And the answer that was given to him by a young man back then, a youngish man, Paul Volcker, you remember him right, when he was acting as an adviser to Henry Kissinger at the National Security Council. So it's really very simple. We have to make sure that we maintain our hegemony by making other people pay for it, which is the model after the 1970s, which Paul Volcker also helped

establish once he had moved to the Fed. Essentially, if you think about it, it's quite remarkable. The American empire is the first empire in human history that has managed to make the wealthy of the rest of the world, of the conquered if you want, voluntarily send their wealth to Wall Street. And therefore to close the loop, the recycling loop whereby the American trade deficit operates as a vacuum cleaner, sucking into the American markets the net exports of everybody else Germany, France, Italy and of course Japan and primarily China. With 70% of the profits of the Japanese, the Italians, the French, the Japanese and the Chinese going back into real estate, into the stock exchange and into the insurance businesses of the United States. So to cut a long answer short, the centre of the American empire is shrinking in terms of GDP, of total income, in terms of total investment, in terms of the jobs that it can create, good quality jobs within the United States. All this is in decline, but the hegemony of the United States does not depend on that. There is a disconnect between the real economy of the United States and the power of the rentier class, that rentier American ruling class. What that power hinges on, since it doesn't hinge on industry, on actual income, is on the capacity to maintain the hegemony of the dollar and the dollar payment system so as to ensure that the surplus value produced in China, in Japan, in Germany and so on ends up in the United States. Not with the American people, of course. Right? You know this better than anyone else, not with the working class in the Midwest, but with the very, very few amongst the American regime.

RW: All right. I want to turn next to your own activism. Something is going on in Europe having to do with the extraordinary movement of the French people into the streets against Macron, having to do, even with the trade unions in the transport sector in Germany, having to do with the Greeks in response to the railway catastrophe and the role of the government. I want your opinion. Here in the United States, we are speaking of a rise of labour militancy on a scale we haven't seen for 70 years. Is something comparable going on in Europe?

YV: I have good news and bad news. I'll start with the good news. The good news is that, yes, in France and in Greece, in other countries as well, but primarily in these two countries, there's a tradition to this. The French Revolution and then a few years later, the Greeks had the revolution both connected to the American Revolution. But that's going a long way back. Both in France and in Greece there is clearly a tidal switch. The tide of neoliberalism and the success of toxic radical centrism have been reversed by the people out there. In Greece, you are right, we had a massive accident killing 57 young people and this railway accident was not an accident. It was almost predetermined as a result of the botched privatisation of our railways. That has turned the tide. And now we have a majority of the people out there who are against privatisations and they are clearly expressing a view in favour of renationalisation. That is a big [inaudible]. Similarly, in France, Macron's reign has been punctured. Now he's a lame duck. He will continue as the lame duck because the demonstrators, the very brave, demonstrate, seize the opportunity of railing against Macron's pension reforms. By the way the conventional media, the systemic media present that the reform must be moderate. And it sounds moderate because what did Macron do? He pushed the age limit. When you go from a

wage to a pension from 62 to 64, it sounds pretty moderate. Well, it is not. Once you take into consideration the fact that the average poor Frenchman lives ten years less than the average French male, a rich person. So that means that by elevating the pension you deny a very substantial proportion of working class men the opportunity to get any pension at all. So this is the good news. The good news is that our people here in Europe, especially in Greece, in France, but in other countries, too, have turned the tide, which was essentially submerging all opposition to the neoliberal toxic oligarchic policies across Europe. Now, the bad news. The bad news is that we are nowhere near having returned to the height of 2014, 2015, when we had hundreds of thousands of millions of people in Spanish cities occupying the piazzas – remember the big novels – we had millions here in Greece over a period of three months. We had the Occupy Movement in Germany. Back then, the structural crisis of European capitalism was so deep, the Euro itself, our currency, our single currency, was very close to capitulating, to falling victim of its own hubris. And what happened was that we elected the government here in Greece, which carried the hopes of every progressive European on its back. Our government surrendered on that fateful evening of the 5th of July 2015. Since then, our movements are just a shadow of themselves. They are picking up again. But we must not exaggerate yet the extent to which they are capable of putting an effective brake, a final break on this runaway train of neoliberal inhumanity.

RW: How do you and I need to press you to be brief here. But how do you account for, how stable is the apparent European decision to support and fall in behind the United States in the war in Ukraine, in the sanctions program against Russia and all of that? What is going on there? Has Europe given up being separate from the United States in this struggle with China? Is there any space for European capitalism or is that disappearing?

YV: It's disappearing, it is very clear. The ruling classes here [inaudible] that they will give up on the dream. They had a dream. The European classes had a dream of a degree of strategy by the European Union. Now they've given up completely. Donald Trump started a break when he effectively rubbished Europe's attempt to take an independent position vis a vis Iran. Remember, after Donald Trump won the White House and now with the war, you know take Macron. Macron is not gung ho like, you know, Biden or like the British government. He doesn't want to see the Ukrainian troops take over Moscow, which is a preposterous idea. He would like to see what I would like to see, which is a, you know, a peace treaty. But he can't dare to say that. The moment Macron opens his mouth and says something like that, he's going to be removed from the Élysée, you know, Le Monde, the bourgeois press are going to destroy him, if he dares say that. So I think the answer is that with every crisis you've had in Europe over the last 20, 25 years and the Euro, our currency has a lot to do with that. But that's a big story and I will delve into this. With every case you had the capacity of the European Union's bourgeoisie to become [inaudible] to have a voice of itself is disappearing, and it's disappearing very fast.

RW: In the time we have left another enormous question. Do you think that China is the emerging global hegemon or do you think that some sort of multipolar, different kind of global economic organisation is emerging?

YV: It's very difficult to tell. But you know what I think is really important regarding your question? Do you know who I think is the greatest impediment to China becoming a global hegemon? It's a rhetorical question. I'll answer it. It's Chinese capitalists. Chinese capitalists do not want the dollar to be dethroned as the exorbitant privileged currency. Why? Because all their savings and investments are in dollars and the demand for goods the factories produce in China, in Shanghai, in Shenzhen, Guangzhou. That demand is due to the American trade deficit, which sucks into the United States, those products. And that American trade deficit will not be able to be financed by Renminbi, the Yuan, the Chinese currency were to overtake the dollar. So there is a clash within the Communist Party of China between those representing Labour and those representing the capital. We have a massive class war within the Chinese Communist Party. And I find this absolutely fascinating because in the end, China is the only country I know, substantial country, large economy where the working class is actually fighting an effective class war, even though it has to do this within the halls of the Chinese Communist Party, against the representatives within the Chinese Communist Party of the bourgeoisie.

RW: All right, Yanis, we've come, unfortunately, to the end of our half hour here. I want to thank you very much for your answers. I know it's much for us all to digest and think about, but I hope that we will be able to call you again and continue our transatlantic collaboration and dialogue. Thank you very, very much again.

YV: My extreme pleasure. Thank you.

RW: Thank you. To my audience, as usual, I look forward to speaking with you again next week.

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