

Interview

# **Toward a Pan European Movement (DiEM) - Our struggle to democratise Europe & developments in Latin America and China**

Sunday 31 January 2016, by [VAROUFÁKIS Yanis](#) (Date first published: 19 January 2016).

**Recently I was interviewed by Brazil's Globo TV. The extensive interview covered a large number of issues - from the European crisis and our fledgling movement to democratise the European Union (to be launched on 9<sup>th</sup> February in Berlin - WATCH THIS SPACE!), to the Middle East, the global economy, Brazil, the rest of Latin America and its economic reliance on a slowing China. The English language transcript follows.**

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**The political dynamics in Europe evolved very fast in 2015. From the tough negotiations of the Greek debt you had started in the beginning of the year with the Eurogroup to the huge refugee crisis, which had pulled Europe apart, and still the commotion with the Paris recent attacks, with dramatic results as well. Would you be able to link these events in order to help us to understand what is going on in this new old world?**

**Yanis Varoufakis** - Events, one cannot control them. And they tend to happen when one doesn't expect them. But the resilience of a political system proves itself in terms of its capacity to deal with unexpected events. There is a very strong connection between our incapacity to deal with the refugee crisis, and our incapacity to deal with the economic crisis.

If you look at the way Europe has been fragmented in the last 6 years, 7 years, since the 2008 great financial crisis in the United States, Europe and the world; if you look at the way we have failed to deal with that crisis consistently, and during this process of sequential failures, and the denial of the structural aspects of this crisis, our nations in Europe have been pulled apart. Turned against one another.

The events in the Middle East are absolutely independent of the structure of the Eurozone. Even if we had designed the Eurozone well, we would still have had the Americans invading Iraq, creating a rupture between Sunnis and Shiites, the Iranian and Iraqi war before that would have precipitated the whole thing, the collapse of the structural rigidity of Iraq would have spilled over into Syria, independently what Europe did.

But what we did within Europe, our failure to deal with the euro crisis, fragmented us, so when the refugee crisis came, we were not capable of dealing with it in a rational European fashion. We could not deal with a common problem in a systematic, common manner. So, there is a connection.

**You wrote an enlightening book about the origin of this process, in 1971, when the United States started feeding its increasing deficits with the flow of capital from other countries. To explain it you used the mythological image of the Minotaur being killed with the crisis of 2008, but do you really think it is dead? We are all still in the labyrinth...**

We may be in the labyrinth but the beast is mortally wounded. My metaphor of the Minotaur was meant to explain the way in which the United States economy was stabilising (in a very imbalanced way, but nevertheless stabilising) the world economy. The metaphor was meant to convey the way in which, for the first time in history, there was a super power – the United States – which was becoming dominant on the basis of its... deficits. This has never happened before. Usually the great empires were in surplus.

In that book, *The Global Minotaur*, I depicted the United States economy as a vacuum cleaner, which was sucking into the United States the exports of everybody else. Of Germany, Holland, Japan, later China, Brazil, and so on... Through its deficits.

How do it pay for these deficits? How it pay for its imports into the United States? Well, the same vacuum cleaner was vacuuming into the United States a large percentage of the foreign companies' profits.

What happened in 2008 was that this flow, this recycling if you want, this loop, which closed the system, was broken, because Wall Street lost its capacity to suck into the United States everybody else's profits and to direct it in the creation of sufficient global demand for other economies' net exports. So, maybe we are in the labyrinth, but we are lost without the Minotaur. The beast that was doing the stabilising has been mortally wounded, and all the crises that we are experiencing in Europe, in China, in Brazil, are the result of the fact that this recycling loop that the United States was performing (quite successfully until 2008) is no longer being performed.

**So, let's try to understand what is happening from the point of view of Europe. You had a plan with others leftist leaders, e.g. German Oskar Lafontaine and the French Jean Luc-Mélenchon, to launch a plan B for Europe.**

Not exactly. We agreed to have a conference to discuss the future of Europe and alternative policies for overcoming the crisis.

We didn't have a common plan B, my view is quite different from that of Oskar Lafontaine, who has advocated to a return to national currencies.

**Lafontaine advocates in fact a return to the European exchange rate mechanisms that fixed exchange rates between currencies.**

Yes, and I disagree profoundly with that. But what we have in common, is a determination to sit down and do what Europe is refusing to do, which is to discuss our options. What we agree fully on is that the present system is not working. The present architecture of the Eurozone is failing. And it is failing with detrimental effects on people in the North, in the South, in the East and in the West. And Brussels is in a complete denial. It is pretending that everything is fine, and all the changes that had happened since 2010 had been in the right direction.

Every single one of those changes was, unfortunately, in precisely the wrong direction!

**So, what do you propose? What are your concrete proposals to change Brussel's denial in Europe?**

Well, there are small things we can do, bigger things, and large things. For a start, it would be good if there were transparency. If European citizens knew what was being discussed on their behalf in Brussels. Wouldn't it be fantastic if we live-streamed the discussions of, say, the Eurogroup? If there were minutes published? There is a statutory constitutional obligation of democratic authorities to reveal to citizens what has been discussed on their behalf. I mean, is this proposition so radical? That's an example of the small things we could do.

But beyond that, we have a crisis in full swing, everywhere in Europe, with each sub-crisis (e.g. in the Periphery) reinforcing the rest (e.g. in Germany). More broadly, we have a crisis of public debt, we have a crisis of very low investment in the private sector and in the public sector – primarily in the private sector – we have a crisis of the banks, and we have a crisis of poverty. Rising poverty. Those four crises are contributing, collectively and individually, towards the fragmentation of Europe. We need to deal with them. Immediately. Not in the future, not in two years, ten years time, because while we are dithering Europe is fragmenting. And it becomes impossible to deal with other problems that are exogenous, like refugees and terrorism and so forth.

It **is** possible to deploy or redeploy existing institutions that we have in Europe like the European Central Bank, the European Investment Bank, like the European Stability Mechanism, in a way that deals with these crises.

### **So, tell us about. What should be the design of a monetary system in Europe?**

It should simulate a Federation.

Suppose that the United States, in 2008, were structured like the Eurozone is. You would have a small state like Nevada where the crisis began with house prices going down, and developers losing their money firing construction workers and defaulting on their bankers who then went bankrupt. Now imagine if the state of Nevada had to pay for the rising unemployment benefits and at the same time to bailout the banks of Nevada. And to do that by borrowing money from the international markets. No one would lend to the state of Nevada to do this. The state of Nevada and the banks of Nevada would have gone bust.

Imagine further if the state government of Nevada went to Washington DC and said, "well, we are bust, help us". And Washington said: "Ok, we give you a huge loan, but on the condition that you reduce pensions, you reduce wages in Nevada", which would shrink the incomes in Nevada from which those loans would have to be repaid. Then Nevada would be finished. And immediately investors the world over would think, which US state comes next?

Of course this did not happen in the United States. Why? Because the Federal Reserve and the Central Bank looked after the banks – it was not the states that bailed out the banks – and the Federal Government paid for social security and unemployment benefits. And because the Federal government had the Central Bank behind it, to buy its debt, to buy the treasury bills, the United States didn't have the problems that Europe has.

### **Is it possible to have a Federation in Europe?**

No it is not possible to have a Federation today. It is much harder to convince the French and the Germans and the Greeks and the Portuguese to federate in this environment when everyone is turning against everyone else. But what we can do is use the existing institutions that we have – ECB, EIB, ESM to simulate one. Technically, we could have done it in a week. Politically, it is proving impossible.

## **Is it a matter of economic ideology?**

I don't think it's a question of economic ideology, this is a veneer. I think it is toxic politics. It is pure undiluted, brutal politics that is in the way. And then some economic ideology is used in order to justify the reluctance to solve the crisis.

If you want my explanation of why we are not simulating a federal solution, consider the following picture: the German chancellor enters in a European Council meeting. There are the French president, the Italian prime minister, the Spanish prime minister. Nobody speaks. When the Chancellor walks in, everybody keeps quiet. Specially the French president.

President Hollande never speaks against Chancellor Merkel when she speaks about the Eurozone, even when he disagrees. Remember he was elected in order to counter her perspective of what should happen in the Eurozone. The day he was elected he stopped speaking about it. Now, why is that?

There is a reason. If the Eurozone breaks up, and France and Germany go back to their own currencies, the French franc and the Deutsch mark, what will happen? There will be an exodus of money from France to Germany. Why? Because everybody will anticipate, correctly, that going back to their own currencies means that the Deutsch mark will go up and the French franc will go down.

## **But this would not happen all over Europe?**

Yes, but France and Germany are the axis of the EU. So, François Hollande – or whoever happens to be the President, Sarkozy, Hollande, this is not a personal issue – knows that if euro breaks up then France will be destroyed, and there will be a flood of money towards Germany. So he is scared of any disagreement because it may end up destroying his country.

Germany doesn't have this fear, as a euro break up would lead to a flood of money to Frankfurt. Of course, German industry will be injured by the rise of the new German currency but its financial system will not collapse – as France's would. This asymmetrical fear guarantees that whenever the Chancellor of Germany says something the President of France does not respond. Now, this is an immense power in the hands of the German Chancellor. She knows that if we make our Eurozone absolutely indivisible, impossible to break up – which is what we have to do to fix it – then the office of Chancellor will lose with asymmetric power, because the French president, whoever the French President might be, will no longer fear the break up and will start to speak his mind. So, the immense political power that the German Chancellor has comes from the fact that we are not fixing the euro. So, there is the political incentive for not fixing the euro.

## **How did the French behave during the Greek debt negotiations you took part?**

Badly. The performance of the French during the negotiations, the best I can say about it, was that it was a sad performance. For those of us who are Francophiles or always looked up to France as a significant source of hope of liberté, égalité, fraternité, you know, the French Enlightenment, watching France being reduced to a lump of quivering jelly during those negotiations and too coy to speak its mind in words of what needs to be done – with regard to the Eurozone, with regard to Greece, with regard to France for that matter – was a very depressing sight.

## **You told a very interesting joke about how the Eurozone was created which is not too far from the reality.**

The joke that I made was that the reason why we had created the euro was because the French feared the Germans, the Irish wanted to escape Britain, the Spanish wanted to be like the French,

the Portuguese did not want to fall under the authority of Spain, Greece feared Turkey, Italy wanted to be like Germany, Belgium wanted to be both part of Germany and of France, Holland was already a part of Germany, and in the end, the Germans feared the... Germans.

### **What is true and what is not true in this joke?**

Well, initially, it has to be said, that the Germans did fear the Germans. And the French did fear the Germans. The story of why France was always coy regarding the power of reuniting Germany does not need to be repeated. Everybody understands that.

When Germany had been reunified, in 1990-1991, under Helmut Kohl, most Germans were also particularly worried about the place of the reunified power of Germany in Europe. They did not want to see Germany again – a third time – rising up as a supremely powerful and independent and expansionary power within Europe. So most Germans, being profoundly Europeanists and democrats, wanted to 'lose' themselves in a uniting Europe. German unification was important as long as it was embedded in a unifying Europe. And the common currency for them was a reason to do this.

Other parts of the joke are also pertinent: the Republic of Ireland was always very keen to scape sterling and the influence of London, for it's own historical national liberation reasons; Greece always wanted to differentiate itself from the Near East, from the Ottoman Empire, from Turkey, and so on and so forth. Where this metaphor brakes down is in that it treats countries, and whole peoples, as homogeneous.

There are many Germanys, there are many Greeces, there are many Frances. So for instance, in Germany there are at least three different conflicting points of view and vested interests. There are for instance the medium sized companies, the Mittelstand, which is the backbone of German economy. They really need the euro. They really want to be unified with the rest of Europe, monetarily, as well as in every other way, because they know that if they go back to the Deutsch mark the Deutsch mark is going to rise and their exports to China, to the rest of the world, are going to become much more expensive and they will suffer.

Then you got very large companies, like Volkswagen, Siemens, and so on, who don't care that much because they have already shifted much of their production outside of Germany. So they don't have the same worries. And then you have the Frankfurt banks, the commercial banks, like financing banks, Deutsche Bank and so on, who love the crisis because this perpetual euro crisis is creating uncertainty in Italy, in Spain, in Greece, and the rich Italian, Spaniards and Greeks send their money to Frankfurt, to those banks.

This is just an example of completely different interests within a same country. The same applies to all countries: we have violently opposed interests within Greece, within France, within Italy, within Spain etc. This heterogeneity, without which we cannot understand what is going on, is glossed over in my joke.

One of the problems we have in Europe, one of the reasons we are not managing to settle the European crisis, is because the German elites cannot decide, amongst them, what they want to do. with the euro They are disagreeing with one another because of their different vested interests.

Similarly the conflicting vested interests in France, in Greece, in Spain etc. make it very hard to come to a rational agreement on the way forward. So my metaphor breaks down due to the fact that it assumes that there is such a thing as Germany. Or Greece. Or France. There are, let me repeat this, quite a few Germanys, Greeces etc.

**You use to say that the Eurozone is something like the last verses of the song *Hotel California*: you can check out whenever you want, but you can never leave. But this is true not just to Greece, it is true for everyone.**

Everyone. Except for Germany.

Germany can leave. If you are in surplus, if you have a trade surplus, and an external surplus with the rest, you can leave... You may not want to leave. (Because if Germany leaves, the new Deutsch mark will go up and German exports will be more expensive. So there would be a cost involved in that.) But you can leave without suffering a catastrophic capital exodus.

**But it could be possible.**

Oh yes, if anything, there would be a flood of money coming into Germany. So, if you are in a surplus situation you can leave the monetary union. I've been saying that, if there is to going to be a break up of the Eurozone, it is better if Germany leaves. But ideally we should fix the Eurozone.

**Let us talk about Greece, the European Nevada. How do you think that the Tsipras government is doing in implementing the bailout program?**

We are in a very curious and desperately sad set of circumstances. This is possibly unique in the world. We have a government that is passing one bill after the other in Parliament, without believing in any of them. And they say so, expressly. This has never happened before in history. A government to be pushing through Parliament bills that it disagrees with. If you ask them so, why they do this, they say, well, because we are obliged to, as a result of the terms of surrender... whoops, I should say the Memorandum of Understanding with the Troika, with the lenders.... This is unique, you see? The reason why I am not the minister of Finance anymore is because I refused to sign on that agreement. It does not allow us to reform Greece, it does not make it possible to restore growth, it does not fix the banks, it will not allow us to repay our debts. We took on new debts, deepening our insolvency, deepening our incapacity to repay the new and the old debts.

But what was fascinating, absolutely fascinating, was that the creditors themselves, the Troika, didn't believe in that agreement that they were pushing down our throat either. The International Monetary Fund clearly did not believe in it. They even said so, in public, not just in private. They admitted that the Greek debt is not sustainable. If our debt was not sustainable, why you were giving us new loans? A bank would never give loans, new loans, to a debtor if the existing debt is unsustainable. Not until it is rendered sustainable.

The ECB, the European Central Bank, I can assure you they understand that this program is not viable. The German Finance Minister agreed with me that it was not viable. So you had a Troika of lenders pushing down our throat a series of reforms, fiscal policies, a program, which they knew would fail. We knew this and we resisted. Except that in the end prime minister Alexis Tsipras agreed to implement it. He called it a coup d'etat but he signed it anyway.

**What you have done in his place?**

Say "no". Sometimes you have to say "no" .

**And saying "no" means exactly what?**

Tell the troika: "Do your worst. I am not signing this. I'm simply not signing it." You know, sometimes, a no is a very simple answer, and a very powerful political statement. Ok, the Central Bank had shut our banks down. In response we should have immediately declared that we are not

repaying our debt to the Central Bank. Let me remind our audience that central banks were created to keep banks open. Not to shut them down. We created central banks to make sure that the banks that facing liquidity issues are prevented from closing. So Central Banks were created to prevent bank closures.

On the 30st of June, the Central Bank of Europe, which was up until then telling me, the Finance Minister of Greece, that our banks in Greece were solvent, closed our banks down. Why? In order to push us into surrendering. Now, a Central Bank that acts with such bad intent deserved retaliation from us. And what was the retaliation that I was proposing? The prime minister had agreed with me: To restructure the 27 billion euro worth Greek government bonds that the ECB owned. Tell the ECB: You close my banks down, I am not repaying this money to you. But even though the prime minister had agreed with this strategy, when it came to the crunch he pulled back.

### **They could not expel Greece from the Eurozone.**

No, they couldn't do it. The only thing that they could do was to keep the banks closed. But then, we would retaliate by restructuring those bonds. And if we at the same time had created a parallel payment system - which I was designing, I was trying to implement, we could have won some breathing space . That payment system would not have been a perfect substitute for the closed banks - but it would have given us the necessary space.

The Greek people backed me. Sixty per cent agreed on doing that. Don't capitulate, they said. That's what they said. If we had stuck to our guns for one or two weeks after the referendum, I can assure you, that the European Central Bank and Germany, would have come to us with a honourable agreement. Not the perfect agreement, not what we wanted, but an agreement that would keep everyone, all of us, somehow dissatisfied. Us, the Germans, the Central Bank - which means it would be a decent agreement. And that's where my disagreement with the prime minister was. It was unfathomable to me, imponderable, that on the night of the 60 % we capitulated. That's why a resigned.

### **What do you think it's going to happen now?**

Well, you don't need to be a prophet. The continuing decline of Greece. What has been happening over the last 5 years. We will continue to witness the shrinkage of national income, extremely low investment...

### **There is no way out.**

Of course not. It is not a question of left, right, political argumentation. This is the plain, undiluted truth. Let me just mention for the benefit of our audience one example. Just one example, I could give you three hundred. I'll give you one: Before Christmas, now we are in December, before Christmas, Greek business, whether they are large business, medium size businesses, or business of one person, had to pay the whole of 2016's tax!

### **Is it possible?**

No, but they have to. Now, I submit to you that this is what you do to a country if you want to crush it. Not to help it recover. And it's not a left and right wing assessment. Here I am, a radical left winger, speaking out in favour of business! The government, under the pressure of the Troika, increased corporate taxes from 26 to 29 per cent. Here is a left wing minister of finance trying to prevent an increase in corporate tax rates! And trying to prevent the hundred per cent pre-payment of next year's business tax. This year. This is the madness of Europe. Could I sign up to that? No! As

I said, I'd rather have my arm chopped off than sign it. And the question is not why I did not sign it. The question is why those that forced upon us this terrible program insisted that we should sign it. That is the question.

**It had seemed, in a certain moment in the negotiations, that you were working on a GREXIT.**

Never. Never. This is what I have been accused of. But I have been accused of so much. Let me say that I never stopped reiterating my view, the Hotel California doctrine. We cannot get out, we should not get out, I made explicitly and abundantly clear that my plans never involved GREXIT. Never.

Of course we had contingency plans for any (illegal) attempts by Brussels to expel us from the euro. The countermove of our part never involved in my mind a voluntary exit from the euro. It involved defaulting, not repaying loans when we couldn't, and creating a parallel payments system, a digital payment system, when the banks were to be closed down, as they did close them down, on the 3<sup>rd</sup> of June. The aim was to allow us to continue with payments, with liquidity in the economy, until an agreement came. Within the euro.

Remember: the parallel payment system under construction would not be in drachmas, it would be in euros. So no, I've been consistent on this.

More generally, let me repeat my main insight: We cannot fix Greece without fixing the Eurozone. And if we fix the Eurozone we have a chance to fix Greece, Ireland, Portugal and so on and so forth.

**Fixing the Eurozone means that you have a new ambition of political leadership?**

I am a very reluctant politician. A highly reluctant politician. I never wanted to be one in the first place. I would prefer to write books – as I always did in the past. That's would be ideal for me. I don't have the ambition to be a political leader. Life is very good to waste in this regard. But, once I threw my hat in the political ring, I have the obligation towards the people who believed in my analysis, and voted for me, to stay the course. My great worry is that Europe is slipping steadily into a post-modern 1930's. With the rise of the ultranationalists, with the rise of the fascists, Nazis in my country, and elsewhere, with centrifugal forces that are pulling Europe apart, doing a great damage to the rest of the world. So I think that as citizens, as members of the European Enlightenment, we have an obligation – all of us – to step out of our comfort zone, to postpone writing our novels and books, and to participate in politics in order to stop this.

**And this would also means to create a new political party? You are not in Syriza anymore.**

It does. I would call it a movement, not a party. A Pan European movement, this is what we are working on. [Nb. The said movement will be launched on 9<sup>th</sup> February in Berlin – under the name DiEM, Democracy in Europe | Movement]. Because, you see, one lesson I learned while in government was that the old nation-based political system is finished. The idea of creating a new political party in Greece, then 'sell' its manifesto of promises to the Greek people (telling them what we are going to do for them if elected in Athens), subsequently get elected, and then we go to Brussels and start all over again the same endless and fruitless negotiations... We had a chance to do that in 2015. We missed it. Now we need something different.

The nation-state-based political organisation doesn't work anymore because the problem is not Greek. It's not French, it's not Belgian. It's European. It's got to do with the way Europe's architecture needs to be restructured. So, either we are going to create a movement that allows Europeans to band together, to join up forces, to confront the problems we have in common, from



the beginning, not in an alliance between national parties that get locked into their national agendas. Or Europe is finished. I am not interested in a European party. Party means hierarchy, you know, and we are not ready for that across Europe. We don't even need it. But a pan-European movement is a necessary condition for saving Europe from its present crisis.

### **This party would be represented in the European Parliament?**

The European Parliament is not a proper Parliament. A European Parliament does not exist, it's a figment of our imagination. It's a job creation program for a lot of people who go there and just chat. Parliaments legislate. The European parliament doesn't have the right to legislate. It's just an excuse, a very poor excuse for a Parliament. One of DiEM's aims is to campaign for the creation of a proper Parliament – either out of this one that we now call European Parliament or afresh.

### **How do you envisage this party? Would it be working within the countries?**

Yes. The idea is this: to begin with, it will be the opportunity to have the conversation that we have not had so far in Europe. What does a conversation do? We sit down together and through a conversation – even if we have opposite views and we don't start from an agreement – we recognise a common cause. Through a dialectical process we progress toward a consensus on what we have to do at the level of Europe. Then that consensus will find expression at the national, local, municipal levels, whenever the opportunity arrives.

### **Do you think that this is a good moment? The left is in a certain way failing in Europe. And you have the rise of the extreme-right in many places. So..**

The reason why the Left is failing is because it is concentrating on the nation state. We keep thinking of what can our national government do for us. And the answer is: Nothing! You can be in government, but you are not in power. Today, Alexis Tsipras is not in power. He is in the government. François Hollande, no power. Mrs Merkel may have a little bit more power, but she is not truly empowered either. So a Left that wants to change the world, but concentrates on a government that cannot change the world, is a contradiction in terms. This is why it's fading. Meanwhile the ultranationalists want to break out Europe. And they want to bring back the fortress-nations. Electors can understand what Le Pen is proposing. She's proposing to re-erect borders, fence off France, and to go back to the 19<sup>th</sup> century. You can do that, but it would be catastrophic. There's a logic to this. It's a toxic logic, a terrible logic but there is a logic to it. The Left currently doesn't have a logic with which to oppose this nationalist resurgence. We don't want borders, correct, but at the same time there is no plan. Our plan must be based on a project to democratise the EU. Currently there is no democracy, no accountability. So we need to democratize Europe. If the Left organises such a movement at the pan-European level, it and Europe will have a chance.

### **So, it's about what?**

About democracy. About democratising Europe. How about that? That is a very simple slogan, meaningful, that can mobilise the Left, the Centre, even the liberal Right, and bring the Left out of the margins and toward a hegemonic position.

### **How many countries are already involved in the Pan European group?**

The majority.

### **The majority?**

Not all, but the majority. Whether we will succeed or not, I do not know. People tell me that this is a

utopian dream. Maybe, but the alternative is a dystopia.

**That's it: don't you think that we are merging into a sort of dystopian era?**

Yes. Exactly. You asked me whether I am interested in pursuing a political leadership role, and the answer was, personally, "No". I wish I could do other things, you know, listen to music or go to the movies more. But while we are shifting into a dystopia, I don't think we have the moral right to privatise our lives and to return to our own private pleasures.

**South America is going through a move pretty much close to the one that Europe is facing now. After one decade and a half of leftist governments, there is a different wind blowing over a social state construction in South America. How do you look at it?**

Latin America is central to an internationalist's concerns. Always was, always will be. Remember that our countries – Brazil, Argentina, Chile, every almost Latin American country, had the same experience as Greece, with military dictatorships, involving the CIA, of course – this is how I grew up – I grew up in a military dictatorship, which gave rise, if you want, it metastasised in Pinochet's Chile. The dictatorships in Brazil, in Argentina, so on, for us Greeks, affected our mental neighbours – you were suffering, we felt, the same fate as us. So, there is no disconnection between southern Europe and Latin America. And we are all tother in this global crisis of capitalism.

Let me answer directly your question with one word – What is the cause of Latin America's latest downturn? China! While China was growing fast, from the late 90s onwards, Latin America benefited enormously, being a major supplier or anything, from soya beans to copper in the case of Chile, to oil in the case of Venezuela.

**China has indeed become the most important partner of Brazil.**

Brazil did remarkably well because of China, and President Lula did well using the increased wealth due to China to redistribute and to rewrite the rules of the social game, and the political game in Brazil.

Of course the ruling class in Brazil never forgave Lula for that, but there was nothing they could do, given that the pie was increasing, and redistribution was raising so many millions of Brazilians out of poverty. However China, in order to continue growing after the 2008 financial collapse had to replace demand for its exports from the United States and Europe with bubbles of its own making. So it boosted investment hugely, by creating a bubble in real state in places like Shanghai, Shenzhen, and so on... Thus it managed to remain the driving force, the steam engine that pulled Latin America with it, and Africa, and other parts of the world – including Germany (at a time German exporters were losing sales in the suffering European south). So, China's regional governments were allowed to build bubbles on inflating land values, asset price inflation, to support investment. That was done by Beijing on purpose. To buy time until Europe and the United States got their act together and boosted demand again.

But Europe did not get its act together. unfortunately. America did better but, due to its own political problems (conflict between the Congress and the White House) failed to boost real American growth sufficiently. At some point, the bubble that China had intentionally created, which was keeping Latin America on the boil, on the rise, started deflating. The moment it started deflating, about a year ago, Latin America was condemned to slow down dramatically. When China catches a cold, Latin America catches pneumonia. So you are now experiencing a massive recession in Brazil. And as the tide is going out in Brazil, the ruling class that never forgave Lula and his political party for redistributing income against them are now taking their revenge. It's very simple,

really.

**Yes, but at the same time there are some other similarities with Greek problems that raised with the crisis of theses last years. Haircuts have been imposed in many programs, fiscal policies, and corruption.**

Yes, during periods of recession, if a government goes into austerity mode, then the recession gets worse. At the same time if it doesn't, the financial sector is ready to pound on it. So it's a very difficult situation.

You mentioned corruption. We from the global south, and I consider Greece as being part of the global south – doesn't make me very popular in this country, I assure you, but we are part of the global south – we have to be a little bit careful before we self flagellate, before we consider ourselves more corrupt than the global North. There's no doubt that Greece is suffering from corruption, as I'm sure is the case in Brazil.

But we tend to think that the North is not amenable to corruption. That is not true. There, corruption is... formalized. Volkswagen. Need I say more? What about all the banks? Every single one of them acted so corruptly and so much against every moral or legal structure and against the public interest at least for 20, 30 years. With sums involved that exceed the GDP of the global South many, many times.

So, what happens of course, is that during the good times, nobody bothers with corruption. But when the pie is shrinking, and everybody is trying to blame everybody else, then corruption emerges as a greater problem. As a more visible problem.

I'm not arguing that we should not eliminate corruption. I'm simply arguing that it is part of capitalism both in the North and in the South.

**I would like to come back once again to the Pan European movement: as far as we can see, there are two clearly conflicting positions, one that tends to work on the dissolution of the Eurozone and another that is trying to fix it. How this is going to work?**

The Pan European movement I'm involved in, DiEM we shall call it, does not have as its strategy leaving the euro. Firstly technically speaking, speaking as an economist, leaving the euro, recreating your own currencies, and going back to the failed European Exchange Rate Mechanism, would be a terrible idea.

**Isn't it a possible scenario for the future?**

Yes, but it is a terrible scenario. It's one that I can't possibly back. This is the scenario of Le Pen. And it is a scenario which I think is going to unleash terrible demonic forces throughout Europe. Which are going to destroy the Left. Democrats. The European idea. The only people who will benefit from that are the ultra-right. So I want no part of that. I don't want to see this happening.

We should not have created the euro. That's true. But you see, once you have created it, it is silly to try to return to where we would have been had we not created it. Such an ill-fated attempt would be a great boost, for Marine Le Pen, Golden Dawn, the ultra-nationalists everywhere. This is why DiEM, our pan-European Movement that I'm working towards, is not going to have as its strategy, as its platform, the fragmentation of the Euro.

Of course, we will not be swayed by the threats of being expelled from the euro if we insist that the EU and the Eurozone must be democratised and rationalised. If someone says to me: "Continue to

confront Brussels and the ECB and we will throw you out of the euro!" I'd reply to her/him: "Go ahead! I refuse to be terrorised by such threats. You are the worst threat to the euro and to the European Union. Not us. We are not going anywhere. We are staying in the euro, and the EU, determined to fix it, to democratise it."

**Thank you very much.**

Thank you.

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**P.S.**

\* "Our movement to democratise Europe & developments in Latin America and China". Posted on January 19, 2016:

<http://yanisvaroufakis.eu/2016/01/19/our-movement-to-democratise-europe-developments-in-latin-america-and-china-interview-with-brazils-globo-tv/>