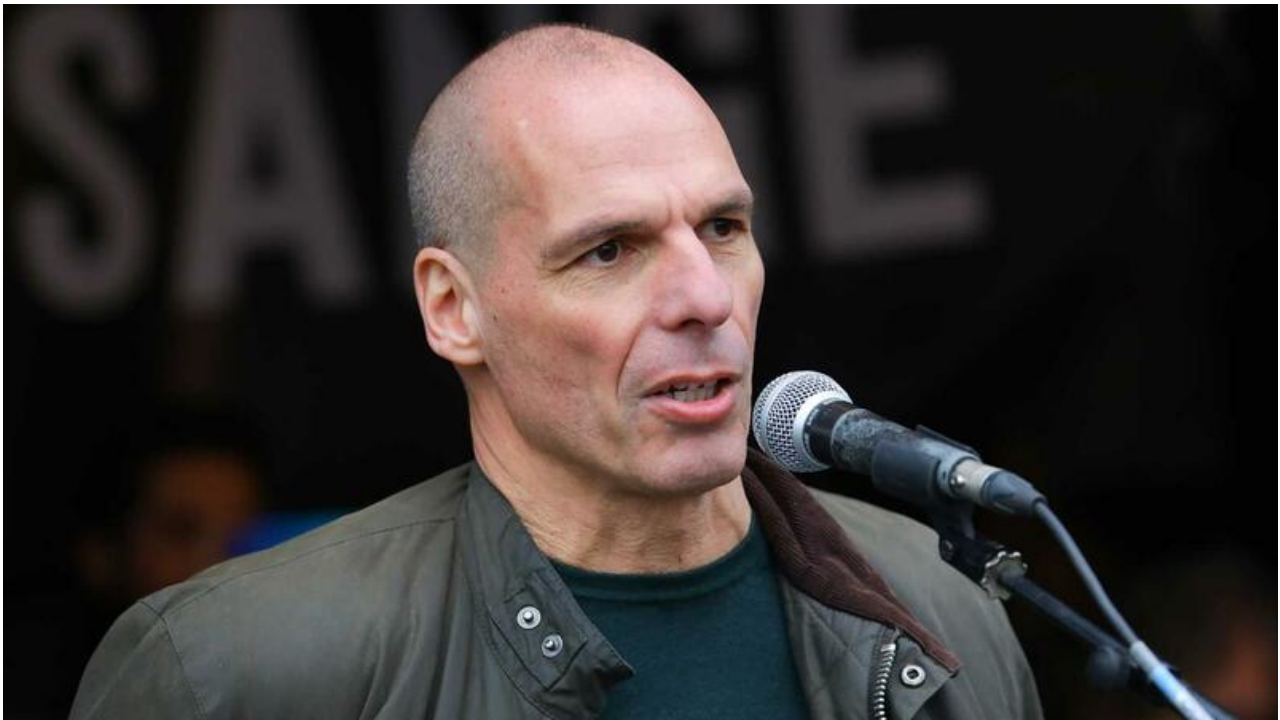


"Disintegration of the eurozone has begun. Austerity will be worse than in 2011"

tsf.pt/portugal/economia/disintegration-of-the-eurozone-has-begun-austerity-will-be-worse-than-in-2011-12080552.html

17 de abril de
2020



Yanis Varoufakis believes Centeno's role as Eurogroup's president is "shameful" for broking a deal that will bring "levels of austerity worse than in 2011" and is "the beginning of the eurozone disintegration"

© Vickie Flores/EPA

Yanis Varoufakis became an international household name in 2015, when he took the job of finance minister in Greece, in a Syriza government led by Alexis Tsipras. For six months he confronted Brussels and the troika, demanding a restructuring of his country's debt.

He left the government after disagreements with the prime minister the day after a referendum to decide the acceptance of a new set of troika austerity measures gave the "No" a 60% win. Athens didn't put this result into practice.

He is now a MP for the Hellenic Parliament under his MeRA25 party, the Greek political section of the Democracy in Europe Movement (DiEM25) he founded.

Earlier this year, he leaked Eurogroup audio recordings of the meetings he participated in as Greece's finance minister.

Subscreva a nossa newsletter e tenha as notícias no seu e-mail todos os dias

The Eurogroup approved a 500 billion package to fight the crisis. You recently wrote in the Guardian that The EU's coronavirus relief deal is a gift to Europe's enemies. Explain.

To begin with, the 500 billion euros is almost entirely loans. It's exactly what Europe doesn't need, especially like the countries that were hit the hardest, like Italy or Spain or Greece, which have the least capacity to have the necessary increase in public debt.

The reason why the eurobonds - that nine countries, including Greece and Portugal, demanded - are essential is because it constitutes a debt restructuring, so that debt does not go to the nations, it is spread out across Europe. By being spread out, its total net present value shrinks over the next 20 years and therefore it's far more manageable.

By rejecting the eurobonds, and instead saying "take money from the European Stability Mechanism" - and that's loans - or from the markets, supported by the European Central Bank, countries like Greece or Portugal are going to be so heavily indebted by this time next year that even there is no preconditions for those loans, the return of the fiscal compact next year will mean levels of austerity for a very large part of Europe, even worse than the one Greece experienced in 2011. As the European economy begins to emerge from the coronavirus recession, we will be hit by a secondary recessionary wave that will be imposed by Brussels, by Frankfurt.

Make no mistake: they will demand fiscal consolidation

We can already hear from Germany talking about coming back to Black Zero [a rule that determines a debt brake by imposing a balance between expenditure and receipts] next year. Make no mistake: they will demand fiscal consolidation for Portugal, for Greece, for Italy, for Spain next year. There can be no better gift to the euro skeptics and to the nationalists that want to destroy the European Union than that.

But where is the main problem? Is it the solution's nature or amount? Germany's own relief package is bigger than Europe's.

It's both. It's the total size and the distribution.

The total size of direct fiscal injections agreed on the Eurogroup is pitiful. The rest of the world is laughing at Europe, and rightfully so. It's only 0,22% of the euro area GDP. The rest is loans, and loans are useless. If you have a bankruptcy problem, you can not deal with it by additional loans, and what we are facing now is a bankruptcy problem as a result of the lock down for so many weeks and months.



April 9th 2020: The Eurogroup led by Mario Centeno approved a 500 billion relief package to fight the pandemic consequences

© Patrícia de Melo Moreira/EPA

Germany, because of its fiscal space, is affecting a 6% stimulus of direct fiscal injections, not loans. In the case of Portugal and Greece, it's around 0,9%. This is going to magnify ridiculously imbalances that area already a problem in the eurozone, to such an extent that the politics, specially in come southern countries like Italy, for instance, will become toxic and I just don't see that the eurozone can survive this second wave in the same error category that we made in 2010 when it treated our countries' problems, which were insolvency, like something that can be dealt with by means of loans.

Do you think, in the long term, countries that are now opposed to eurobonds will have no other option but to accept this solution?

I can't see how. We have a symmetric stretch to our peoples, whether you're german or french or portuguese or greek. If this crisis has not changed the mind of the ruling classes in Germany, the Netherlands, Finland and Austria and so on, persuading them that this is a time for Euro bonds, for unification rather than "everyone by themselves", I can't see why they would change their minds in the future. This is why I think April 9th is going to be remembered as the moment when the disintegration of the European Union and the monetary union in particular has begun.

How do you classify Mario Centeno's role as Eurogroup's president?

One word: shameful. Mr. Centeno's head should hang in shame for having brokered this non deal. If this was not a tragic situation it would come down as a joke. Mr. Centeno comes from a country that knows the pain of austerity, that knows the euro area never dealt rationally with the major crisis of 2010 and 2011. Mr. Centeno had the moral and political duty to the people of Portugal and Europe not to repeat the performances of Mr. Junker or Mr. Dijsselbloem when they were presidents of the Eurogroup. I'm afraid he's going to go down in history as a shameful president of the Eurogroup, just like his predecessors.

The dutch finance minister suggested Italy and Spain should be investigated for not having money to deal with this crisis, and he later apologized after Portugal's prime minister said these words were disgusting. Does the word solidarity still mean anything in Europe?

No. It doesn't. I remember the bailouts given to Portugal and Greece were disguised as solidarity. Yes they were solidary with Deutsche Bank, Soci t  Generale, because the money that went to our treasuries and ended up repaying debts to french and german banks that placed so many debt in the United States in 2008 that they were insolvent.

But I am afraid we are making a big mistake, as greeks, as portuguese, even as germans. It is not a case of solidarity. We should not be asking the dutch minister for solidarity. If you ask a dutch citizen for solidarity, they have a right to reject it. They can say "I want to be solidary, I'll give you a gift or a loan, but you can't ask me to go into debt jointly with you". And they have a point about that.

The dutch finance minister is right. He does not have an obligation, for the purpose of solidarity, to agree to eurobonds

The dutch finance minister is right on this. He does not have an obligation, for the purpose of solidarity, to agree to eurobonds. But he has the obligation to accept eurobonds because it is the only sensible financial policy which is also in the interest of Holland.

What the dutch and the german and austrian and finnish finance ministers must be made to understand is that the reason why their finances are so much better than Portugal's or Greece's or Spain's is because they have been experiencing negative interest rates for the last eight years so their debt has been coming down even though they didn't have to do anything.

Their net exports to China, The United States or the United Kingdom were held at a high level because the euro was relatively low. And it was low because in the euro area you had the deficit countries: Portugal, Spain, Italy, Greece. Their savings and surpluses are due to they being in the same area as the deficit countries. They can't say this was only their own doing and therefore it's their money and will not go into common debt. If they

want the benefit of the euro, they will have to have the eurobond. If they are clever in their selfishness, they should want the eurobond. We southerners should not appeal to their solidarity or philanthropic instincts. We should appeal to their common sense.

Can this crisis led to the end of the eurozone?

There's not doubt it will, if we continue down this road. Italy is going to have to borrow huge quantities of money, and there will be a GDP collapse of at least 10%. The debt to GDP ratio will go up to 180% or more very soon. The deficit will be gigantic: 15%, maybe 20%. Brussels will next year say: "You will have to go from, let's say, 18% to 7%". That's a 11% GDP austerity program. Any government that implements an 11% austerity program will be out very soon. Matteo Salvini is going to ride into government and I can assure you the first thing he will do is a plan for the exit of Italy from the Euro. When Italy is out, we're all out.



Yanis Varoufakis in 2015
© Fernando Fontes/Global Imagens

Some human rights groups are alerting to a dangerous situation in the greek refugee camps. Is Europe and the greek government doing enough to make sure a disaster does not happen in these camps because of the coronavirus?

The greek government has been despicable. They have been treating refugees as non-humans. They have done absolutely nothing to provide them with livable conditions. Our party, MeRA25, which I represent in the parliament, has been demanding from day one that they are relocated. We have so many empty hotels, because there is no tourism. Break up those camps and relocate those families in empty hotel rooms, pay something

to the hotels, so they make some money. Everybody would be better off. The government has done something horrific: they shut the camps down, without any medical facilities in it. Even without the coronavirus they were dying of the terrible conditions they are living there. Throw in Covid-19 and it's a catastrophe.

The IMF predicts a heavy recession in all the euro zone. Are we in for a long term recession?

There's no doubt the disgraceful Eurogroup that Mr. Centeno presided over has condemned the euro zone to be the sick economic block of the world. China, the United States and the United Kingdom will have a much faster recovery. The lack of a fiscal boost in the euro zone will guarantee we will exit this crisis with our economies much weaker and the imbalances between north and south countries far worse.

You founded the Democracy in Europe Movement (DiEM25) and the greek political section MeRA25. The 2025 reference is about the movement hoping to democratize Europe by 20205. Do you maintain this goal?

We never hoped we would. It was a very different question we asked ourselves back in 2015. The question was: how long do we have to democratize Europe before the point of no return. A little like in climate change. When will Europe find itself in a situation where internal imbalances and centrifugal forces are such that we can't unite? And we said 10 years, and decided to call our movement DiEM25. The coronavirus is proving this to be over optimistic. If we don't unite now, when we face with a symmetric threat, if we can't understand now that we are in this boat together... and it's not a question of solidarity, it's a question of rationality.

What are your political objectives with MeRA25?

The objective is one: to end the neverending bankruptcy of Greece. We have bankrupt banks, a bankrupt State, bankrupt families and bankrupt businesses. And as long as we keep pretending we can overcome this through loans, we will simply perpetuate the bankruptcy. Our young will leave the country, and that's the greatest nightmare: we will end up with a country full of old people, many of them foreigners living here in beautiful five star apartments in privatized beaches in this beautiful country, with our young living in the United States, in Canada, in China or India.

I should have given them an ultimatum: "a restructure of debt, or we are out of the euro today

When will we win? That will depend on our capacity to convince the people of Greece against an armclad media system that belongs to the oligarchy. Our little party is struggling, but we are positive, we entered parliament in our first attempt, and our message is getting across despite the demonization we are experiencing.

You leaked the recordings of the Eurogroup meetings in 2015. Don't you think this could lead to further distrust between countries?

Quite the opposite. The argument that the people are not clever enough is an argument against democracy, and for fascism. Look at the April 9th Eurogroup. Important decisions were made in there that condemn Europe to more recession, austerity and pain for the majority of Europeans. I believe portuguese citizens have every right to know what Mr. Centeno said in there on their behalf. The german voters should know what their finance minister said. If you keep treating people as incapable as dealing with information that concerns their lives, what you are saying is "We don't want a democracy. We want an oligarchy with occasional elections where people go to the polls without information of what their representatives are doing behind closed doors".

Looking back at the time you were Greece's finance minister, do you regret anything? Would you have done anything differently?

Oh, of course. Anybody who doesn't rethink what they've done with new information is a dangerous fanatic.

I would have done many things differently. But the question is: what would I have done differently with the information I had at the time? And I think I should have been far less conciliatory to the troika. I should have been far tougher. I should not have sought an interim agreement. I should have given them an ultimatum: "a restructure of debt, or we are out of the euro today".