

THE ROB INTERVIEW

A Greek warrior sets sights on a new battle

Yanis Varoufakis won fame but lost his war against Greece’s financial overlords. Now he has a new cause: saving Europe

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The explosive public career of Yanis Varoufakis started in January, 2015, and ended less than six months later, when he resigned as Greek finance minister after accusing his boss, Prime Minister Alexis Tsipras, of wholesale sellout – “surrender,” he called it – to Greece’s bailout overlords. The world’s most famous finance minister at the time, he swung his leg over his high-powered Yamaha, true to his style, and fled the corruption and decay of Athens with a roar of the motorcycle’s engine like a Greek Mad Max.

His exit meant that the high-stakes game that could have seen Greece removed willingly or unwillingly from the euro zone, and possibly the European Union, was over. The bailout negotiators in Brussels and Berlin celebrated the departure of the combative Mr. Varoufakis, who had wanted to replace the proposed third bailout, and the crushing austerity that would go with it, with a gentler debt-restructuring and economic-reform effort.

As Mr. Varoufakis, now somewhat less famous, strides into the Roof Garden restaurant of the elegant Hotel Grande Bretagne on Syntagma Square, ground zero of the anti-austerity riots and protests that routinely turned Athens into a war zone in the crisis years, I wonder two things: Does he miss the headline-a-minute drama that turned him into a superstar, and does he think Grexit – Greece’s exit from the euro zone – is still possible?

The short answers are “No” and “Yes,” respectively. I am not sure I believe his response to the first. I do to the second – Grexit, pushed off the front pages in the past year by Brexit, refugees and Donald Trump, is back in the news. But I would learn later in our lunch that Greece’s fate is not foremost in his mind. Europe’s is.

“The European Union is in an advanced state of disintegration,” he says. “The metanarrative of Europe is fragmented. People are no longer thinking in terms of Europe. ... Everyone has a different narrative and when you put them together, you get a picture of implosion.”

He supports his point by citing no-growth, debt-soaked Italy, the euro zone’s third-largest economy, where the party leading the polls, Beppe Grillo’s Five Star Movement, is calling for a referendum on the euro. “We now have Italexit on the table,” he says. “Italy is not sustainable in the euro zone.”

Mr. Varoufakis is about 10 minutes late for our lunch, which, by Greek standards, is unfashionably early. Even though I am not wearing my glasses, and am sitting in a booth at the opposite end of the restaurant’s entrance, his shaved head and the black-motorbike helmet he hands to the maître d’ make him instantly recognizable at a distance. Up close, he seems a bit shorter than I had expected (I had only seen him in crowd situations). Wearing black jeans, black-leather shoes, a dark-violet shirt and blue and brown scarf, he is in full biker-chic mode. Like Mr. Tsipras, who is still Prime Minister, neckties are alien to his wardrobe.

Only a few patrons in the half-empty restaurant give him much notice. A year and a half ago, he would have been mobbed. Our table has a magnificent view of the Acropolis. It had rained hard all week, but on this day a few weeks ago, the sun manages to pierce the grey. “Can I call you Yanis?” I ask. “I insist,” he says.

Mr. Varoufakis is on a whirlwind tour to promote DiEM25, which is short for Democracy in Europe Movement 2025 but also a play on the Latin aphorism *carpe diem* – “seize the day.” I tell him that I want to learn about DiEM but first I want to hear about his rock ‘n’ roll stint as finance minister.

Lunch is simple. My guest orders a chicken salad and I opt for the risotto with truffles. Neither of us has a starter or wine, only sparkling water. To my surprise, Mr. Varoufakis does not sit across from me, but smack next to me, at 90 degrees, as if we were old friends. He is polite and soft-spoken, enduring my interruptions with good grace – I have more questions than he has time.

Mr. Varoufakis, 55, was born in



Former Greek finance minister Yanis Varoufakis arrives to the country’s parliament building in Athens for a cabinet meeting in February, 2015. Mr. Varoufakis was pivotal in the drafting of measures designed to elicit a bailout for the country’s struggling economy. KOSTAS TSIRONIS/BLOOMBERG



An avid motorcyclist, Mr. Varoufakis arrives at Maximos Mansion to attend a meeting with Prime Minister Alexis Tsipras in Athens in May, 2015. KOSTAS TSIRONIS/REUTERS

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Yanis Varoufakis
Former Greek finance minister

Athens and was plucked out of academia by Syriza, the radical-left party that won the January, 2015, election with a mandate to overhaul the loans-for-austerity program led by the Troika – the EU, the European Central Bank and the International Monetary Fund – that was pushing the economy ever deeper into recession. A political lefty who studied mainstream economics, and a supporter of the African National Congress and the Palestine Liberation Organization, Mr. Varoufakis had taught economics at various British universities, the University of Sydney and the University of Texas at Austin.

Years before Syriza was considered a serious contender for government, he formed a friendship with Mr. Tsipras and became his informal economic adviser. But even before Syriza won the election and Mr. Varoufakis landed in the finance-ministry hot seat, he had no doubt that Greece was bankrupt and that piling more bailout loans on top of old bailout loans would not make it any less bankrupt.

“We went from Ponzi growth [before the 2008 crisis] to Ponzi austerity – bailout loans and stringent austerity, economic contraction upon contraction,”

he says. “So what we had was a situation where unsustainable debt had to be rolled over, and rolled over again and every time it got rolled over, the debt got deeper.”

Mr. Varoufakis says he had “very solid agreement” with Mr. Tsipras to eliminate the need for a third bailout – “a nightmare scenario” – through a debt overhaul that would swap debt for perpetual bonds and bonds indexed to growth in gross domestic product. The new deal would include a slew of economy-boosting measures such as tax cuts and the launch of a “bad bank” to rid the ailing Greek lenders of non-performing loans. Syriza also wanted a primary surplus (the budget surplus after debt payments are stripped out) of no more than 1.5 per cent.

What could go wrong? A lot, as it turned out. The one who has the money – the Troika in this case – makes the rules.

What was not known at the time is that Mr. Varoufakis was secretly plotting the creation of an electronic parallel-payment system in case a standoff between the Troika and Greek negotiators triggered a run on bank deposits and the closing of the banks.

The system would create reserve accounts at the tax office. If you were a taxpayer, you could transfer cash to the state in exchange for a discount on your future taxes. If you were, say, a hospital supplier that was owed money by the state, the arrears could in effect be treated as a currency; the hospital supplier could transfer a portion of the arrears to its own suppliers.

As the plans for the system were being drawn up, the game of chicken was being played, with both sides well aware that the end result could be Grexit. As negotiation turned hostile and broke down, the ECB, in late June, 2015, decided against boosting its support for the Greek banks, triggering a financial crisis.

At that point, Mr. Varoufakis

wanted to default on the €28-billion (\$39-billion Canadian) of Greek bonds held by the ECB and implement the parallel-payment plan – the nuclear option, in essence.

His thinking was that the Troika would back down and steer clear of forcing Greece out of the euro zone, even though it was apparent that German Finance Minister Wolfgang Schäuble would be happy to see Greece go. At one point, Mr. Schäuble said a voluntary departure from the euro zone “could perhaps be a better way” for Greece than being railroaded into a third bailout.

I ask Mr. Varoufakis why he was so confident that little Greece could stand down the mighty Troika.

“You know why? €1-trillion, how about that?” he says. “That’s what it would have cost the euro zone under Grexit. On bonds, we have €320-billion. It’s not as if we would have had any ability to repay it if we left the euro. Add to that the Target2 liabilities [Greece’s deficit under the central banks’ payment system]. Add to that all the cross defaults, public and private, and the debts of the banks to various entities in Europe and you end up with at least €1-trillion. So do you think they would have taken it?”

Of course, it’s impossible to say because it was the Syriza government, not the Troika, that panicked when the closed banks threatened to shut down the whole economy. “When we got to the crunch point, I was not allowed to activate the parallel system,” he says.

Mr. Tsipras begrudgingly accepted the Troika’s new bailout terms. Mr. Varoufakis resigned – he insists he was not pushed out – on July 6, 2015, a week after the banks shut (they have since reopened, but some capital controls, in the form of cash-withdrawal limits, remain in place). Mr. Varoufakis took one last shot before he left. “I said to the Prime Minister, ‘You just lost the battle and it will be

rather calamitous for this country,’ ” he says.

Greece is still a mess and Grexit is not out of the question when the current bailout program expires in 2018. There is no appetite on either side for a fourth bailout.

Mr. Varoufakis’s concern today is not merely the health of Greece. He worries about the survivability of the EU and the euro zone in the post-Brexit era. Indeed, the EU is under siege. Britain is leaving. Marine Le Pen, leader of France’s xenophobic, anti-EU National Front, could win the country’s spring presidential election. In Italy, the Euroskeptic Five Star Movement, already the biggest opposition party, could easily win the next election. The grand European-integration project seems dead. The challenge is to keep what’s left more or less intact.

“I’m a staunch Europeanist and I am particularly concerned about this situation. Grillo and Le Pen want disintegration, luxuriate in the expectation of it,” Mr. Varoufakis says. “Me, I’m horrified by it ... I firmly believe that the disintegration of this terrible European Union will lead to the postmodern 1930s.”

He launched DiEM25 in late 2015 with the goal of reinvigorating the EU on democratic principles, for fear that the EU, in its current form, was destined to become a superstate governed by technocrats who spew out edicts and are supported by the Troika. If DiEM25, whose advisory panel includes Julian Assange, economist James Galbraith and English film director Ken Loach, picks up momentum, Mr. Varoufakis is not ruling out sending DiEM25 candidates to the polls.

I ask him why the EU should even be preserved. Why not scrap the Brussels machine and go back to nation-states united by no more than a common market?

“Because the great problems we face cannot be resolved unless we are unified as Europeans,” he says. “Climate change, it cannot be dealt with by individual countries, defence, especially in the post-Trumpian world, the refugee crisis and refugee flows. They all require a united response.”

Mr. Varoufakis is not ruling out the death of the EU and the euro zone within it. I consider it somewhat ironic that he considers German Chancellor Angela Merkel, the woman who insisted on inflicting deep austerity measures on Greece, the EU’s potential saviour.

“A lot depends on Merkel,” he says. “She needs to deliver a speech of hope for Europe, with a narrative of federalism with a plan for a united Europe, with open borders, one that challenges the idea that there is a refugee crisis. That would be very radical for her to do. But if she gave a speech of hope, there would be a remarkable turnaround.”

And with that, Mr. Varoufakis shook his hand, grabbed his helmet and roared off on his motorcycle to his next battle.