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Reflexions on Yanis Varoufakis' book, *Adults in the Room. My Battle with Europe's Deep Establishment*

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REFERENCES

Yanis Varoufakis, *Adults in the Room. My Battle with Europe's Deep Establishment* [1st ed. 2017], London, Vintage Penguin Random House 2018, 562 p.

We would like to convey our gratitude to the two reviewers for their comments as well as to Pierre Alary. Many quotes have been translated by us (those in German in particular). We would like to point out that the text was written in May 2019 and updated in October 2019.

1. European elections and Varoufakis' book

- 1 A central question that needs to be addressed to understand the Greek crisis is the process of political transformation in the country. One important indicator of the political consequences of the Euro crisis is the European elections. The results of the elections for the European Parliament were announced on May 26, 2019. Syriza, the ruling party in Greece, obtained less votes than the New Democracy led by Kyriakos Mitsotakis (the son of Konstantinos Mitsotakis). Syriza won 23.7% while New Democracy won 33.3%. That was the cruel "revenge of history" because the extreme left Syriza came to power as a radical rejection of the two corrupted and caste parties which had ruled Greece until then (the leftist PASOK and the rightist New Democracy). On the following day, Prime Minister Aléxis Tsípras announced his decision for holding early parliamentary elections.
- 2 At the same time, the newly established Greek party DiEM25 (ΜέΡΑ25 – Μέτωπο Ευρωπαϊκής Ρεαλιστικής Ανυπακοής/European Realistic Disobedience Front), led by

Syriza's former Minister of Finance Yanis Varoufakis, won merely 2.99% or only 162,300 votes. The DiEM25, which is part of the new leftist pan-European political movement DiEM25, would not send any MPs to the European Parliament. Later Syriza lost the parliamentary elections in Greece held on July 7, 2019 (the number of its MPs was reduced by 59), and yielded power to New Democracy. For its part, the party of Varoufakis won only 3.44% and entered Parliament with 9 MPs. Varoufakis was elected from the city of Thessaloniki.

- 3 As a whole, these electoral results clearly show that any radical ideas about Europe are doomed by the leading practices and ideology or are not to be comprehended and supported by the ordinary people. Despite the widely spread statements (following John M. Keynes) that ideas play the leading role in any social change, it is absolutely clear (following Karl Marx) that, in order to have any influence, ideas shall have to cross the interests of economic agents. Apart from claiming (though not overtly) that he plays the role of Keynes, Varoufakis has often demonstrated his affinity to Marx (he is the author of an introduction to *The Communist Manifesto*; see Varoufakis, 2018). And despite the knowledge of Marx's theory, Varoufakis failed to mobilize people's interests for his cause.
- 4 The latest book by Varoufakis, entitled *Adults in the Room. My Battle with Europe's Deep Establishment*, critically examines the problems of modern capitalism, of the current European crisis and above all of Greece. Undoubtedly, it is a significant book. The fact that Varoufakis suffered a defeat at the European elections in his own country before his compatriots, who he defended wholeheartedly in the negotiations with the International Financial Institutions, did not exert a damaging effect on the book. On the contrary, the loss made the book particularly valuable from a purely analytical point of view. Its narrative and artistic significance increased and it turned into a fascinating economic, political and historical novel. This is at least how we perceive it. Although we do not accept a number of the author's standpoints, especially his Keynesian program of reviving Europe, we can certainly claim that this book is extremely important. The topics it covers are an inexhaustible source of information and new ideas.
- 5 Two lines have intertwined in the book – the history of the Greek and European crisis and the author's personal history. In the first part ("Winters of our Discontent", p. 5-148) the attention has been focused on the economic crisis while the personal history and the author's viewpoints are concomitant. The second part ("Invincible Spring", p. 149-400) and the third part ("Endgame", p. 401-477) display the opposite structure – the personal history, the events experienced by the author as a Minister of Finance have been brought to the foreground. As a whole, there is no doubt that Varoufakis has narrated one and the same story in two different ways; he has identified his personal history with the history of Greece. Greece has stood alone against all member states of the EU the way Varoufakis has stood alone against all European functionaries, all financial and bank institutions, even those in Greece. Alone, battling for Greece and Europe.
- 6 In this review, we will dwell on some important economic and politico-economic topics discussed in the book. These topics can be summarised as follows: (1) the mechanisms of the crisis, (2) the state and prospects of Europe, (3) the monetary systems as well as a number of historical evidences featuring events and impressions of prominent political and economic personalities which are an important source for the modern economic

history and the history of thought. Some standpoints of the German economists as a reaction to Varoufakis' book are also interesting (4).

- 7 We must underscore that, in this review, we offer our own reconstruction of the book of Varoufakis organized around the four topics already mentioned. In the Federalism and Monetary System Section, we have featured Varoufakis' proposals in a comparative perspective as regards those of some of the German ordoliberalists as well as the French supporters of monetary federalism (*e.g.* Bruno Théret). This comparison aims at illustrating how different theoretical and conceptual positions could lead to similar practical solutions related to organizing Europe's monetary system. In the case in point it is a matter of safeguarding the euro in different configurations and of rejecting a full return to national currencies.

2. Greek Crisis and the Treaty of Versailles, some Parallels with Keynes

- 8 As we have already mentioned, parallels with Keynes cannot be avoided, even though Varoufakis has strived not to state overtly that similarity. The author has been alone similar to Keynes at the time of the Treaty of Versailles. There can be many directions where Varoufakis is an original follower of Keynes. We shall mention two of those directions. The first one is about some conceptual economic ideas; the second one is about the literary and psychological narrative.
- 9 The first notable parallel between Varoufakis and Keynes is the analysis of the relationship between creditors and debtors, to the capacity of the latter to pay debts, as well as to the economic and political consequences of excessive payments. It is well known that Keynes condemned financial burdens and reparations imposed on Germany at the Versailles Peace Conference or, as he called it, "Carthaginian Peace" (Keynes, 1919). Referring to the state of the German economy, Keynes believed that "the problem of transfer" was unsolvable. The amounts requested could not be mobilized, the balance of payments precluded it; Germany would have plunged into a severe crisis. Keynes' arguments were almost the same as those of the German negotiators at the Conference and of most of the German economists. Unlike the latter, Keynes' viewpoint of protecting debtors and of the equal responsibility of creditors and debtors acquired a principled and theoretical character. His standpoint can be traced right up to the negotiations in Bretton Woods. The truth is that during that period, Keynes also defended the interests of Great Britain which turned into a debtor at the expense of the United States. It is noteworthy that the French scholars reached conclusions opposite to those of Keynes – first, Germany could pay (Jacques Bainville) and, second, they believed that Keynes' book had consequences detrimental for peace (Étienne Mantoux).
- 10 Today the roles have reversed. Germany is a major creditor and Greece is in the position of the debtor. Varoufakis has condemned the dominance of Germany and of the Troika (IMF, ECB & European Commission). He has shown that Greece cannot pay the accumulated debts without being ruined economically and politically. Nationalist movements would be a logical result. Varoufakis has offered debt restructuring in his book, and partly in both annexes similarly to Keynes Varoufakis considers that the responsibility must be shared; it is to be borne by debtors and creditors alike. In today's situation, many German economists are the ones who consider that Greece can pay and, even if it cannot pay (as Wolfgang Schäuble considered), the servicing of the debt is a

matter of observing the European rules and even of morality. Unlike Keynes, whose main message in the book is a return to trade relations before 1914 (especially those with Central Europe and Russia), Varoufakis looks ahead and believes that the construction of a common Europe needs to be reconsidered. To this effect, Varoufakis is much closer to the criticism of the Treaty of Versailles from evolutionary positions made by Thorstein Veblen in 1920 (Griffin, 1985).

- 11 As regards the second point of comparison with Keynes, it is worth mentioning Varoufakis' descriptions and psychological portraits of leading political and economic figures of the EU that are almost similar to the descriptions of the political leaders provided by Keynes (Keynes, 1919).¹ For those who have read Keynes' book where he condemns leaders of the leading creditor countries (Georges Clemenceau, Lloyd George, Woodrow Wilson, Vittorio Emanuele Orlando), and who, according to Keynes through onerous reparations, doomed the future of Germany by planting a new political bomb, – the parallels with Varoufakis' assessments of Germany's contemporary behaviour and of the Greek creditors are clear. Wolfgang Schäuble, Angela Merkel, Jeroen Dijsselbloem, Michel Sapin, Mario Draghi, Thomas Wieser and some others have been described in a similar way. Those leaders not only condemned Greece to misery, but also planted a political bomb in the EU. To this effect, Varoufakis' description of his meeting with Schäuble is illustrious:

The lift door opened onto a long cold corridor at the end of which Wolfgang Schäuble was waiting in his wheelchair. He was a man whose speeches and articles I had been reading and following for two and a half decades. [...] I fully understood that to him I was a damned nuisance, but the smile on my face and the hand I extended towards him were meant with genuine respect and in the secret hope that we might establish a decent, civilized *modus vivendi*. Strangely, that wish was granted in the end, despite the awfulness of what happened next: refusing my offer of a handshake, Germany's federal minister of finance [...] performed a swift U-turn in his wheelchair and propelled himself [...] at an impressive speed towards his office, commanding me to follow with a wave of his hand [...] – which of course I did, Euclid rushing behind me to keep up.

(Varoufakis, 2018, p. 210-211)

- 12 If we quote Merve Emre (2012) Keynes' psychological portraits have been assessed as follows:

For many of his contemporary readers and reviewers, Keynes's technical critique was less controversial than his psychological one. His devastating character sketches of the Council of Four, touting all the "juicy gossip from Paris," were deemed "startling and explosive," "lacking in scholarly restraint" and "not quite nice for a civil servant." Historian Margaret MacMillan describes Keynes as a "very clever, rather ugly young man" who went to Paris "to create myths about the Paris Conference." Keynes's, she writes, was the voice of "intellectually superior Cambridge" that spoke "romantic nonsense" when it came to his descriptions of Clemenceau ("dry in soul and empty of hope"), Woodrow Wilson ("this blind and deaf Don Quixote"), and Lloyd George ("a goat-footed bard").

(Emre 2012)

- 13 Varoufakis' descriptions have also been seen in a similar way. Although he has exceptional technical knowledge, he is treated by his colleagues as an "intellectual manipulator, Narcissus, sociopath, and babbler" whose standpoints and descriptions of prominent leaders inflict damages to the European institutions and Greece. The fact that Varoufakis has taped with his phone the conversations at important and secret meetings (which will later become part of a book) attests to his behaviour ("he does not

observe the rules of communication in the circles of the finance ministers”, cited from Varoufakis, 2016, p. 324).

- 14 Moreover, Varoufakis has expected to share the successes of Keynes who consequently gained universally acknowledged international prestige. Unfortunately, this has not happened with Varoufakis and the elections are an evidence of it. As regards the style of writing, narrative and readability, Varoufakis’ book is an exceptional event and we consider it to be one of the best we have read so far. This section revealed both similarities and differences between Keynes and Varoufakis and we might assume that Varoufakis’ book is even better than Keynes’ description of the Treaty of Versailles in some aspects.

3. Political economy of the Greek crisis as a large-scale multilevel game

- 15 In what follows, we will present our interpretation of the Varoufakis’ crisis description. Varoufakis offers an interesting and original political economy of the crisis in which interests, power and ideas overlap so as to explain the behaviour and strategies of the main actors². The crisis has been featured as a large-scale multilevel game. We know that Varoufakis is an expert in the theory of games and social conflicts which he teaches and on which he has devoted special works (Varoufakis, 1991; ed., 2000). A game illustration supplement is presented in the here referred book titled *Why I Had Ruled out Bluffing* (p. 492-495).
- 16 The actors, or players, can be grouped according to their roles of creditors and debtors and differentiated according to a number of other criteria – external, domestic, etc. A number of actors and coalitions at a lower analytical level can be detected within the frameworks of the gigantic skirmish between Germany (as a representative of creditors) and Greece (as a debtor). Thus, for instance noteworthy is the coalition between the French and German banks (creditors) and the Greek crony elite which turned Greece into a “debt colony”. Jointly with the Greek banks that coalition tried to transfer the burdens of adjustment during the crisis to the Greek population. That was accomplished through the policy of austerity which for its part was “scientifically” defended by the theory of “expansionary fiscal contraction”.
- 17 Particularly interesting are also the conflicts between the actors within the frameworks of the international creditors (among the EU, ECB and the IMF as well as within the frameworks of the EU – *i. e.* the special role of the Eurogroup). We must mention also the conflicts in Greece itself (between the leftist government of Syriza and the Central Bank of Greece³, as well as within the frameworks of the administration of the government of Syriza). That dynamics of the conflict and the complex game has been transferred even onto an individual, personal level – *i. e.* the behaviour of some Greek negotiators which served as agents of foreign institutions. Illustrious to this effect was the preliminary preparation of the Greek positions on the negotiations on the part of the European institutions themselves. The instruments and methods of war (“the enemy’s weapons”) had no limitations neither moral nor rational ones in that uncooperative game. The media and secret services were part of the struggle. The book has featured an epic fight worthy of the Greek epos with an abundance of military titles such as “working with the enemy”, “war cabinet”, “unmasked”, etc. As a whole, the

analysis and the assessment of these complex game models is extremely difficult (*e. g.* see Nenovsky & Rizopoulos, 2001).

- 18 The acute debt crisis and the deep division of Europe (as regards the balances of payment, sovereign interest rates, TARGET balances, etc.)⁴ hide the real and profound cause – the common currency Euro as well as the misconstrued economic, financial and fiscal architecture of the Eurozone. The key topic for Varoufakis is the Euro as an institution established to unite-divide. Thus, in his previous book entitled *And the Weak Suffer What They Must?* (2016), Varoufakis has defined the research task as follows:

This book is about a paradox: European peoples, who had hitherto been uniting so splendidly, ended up increasingly divided by a common currency. The paradox of a divisive common currency is a central theme of this book.

(Varoufakis, 2016, p. xiv)

- 19 The common currency introduction has resulted in a gigantic scheme of a moral hazard with the accumulation of huge private and public debts in the periphery. That is the reason for the covering up of the great differences in the development of the countries in the Eurozone. To this effect, though being definitely different, Varoufakis' diagnosis is also similar to that of Hans-Werner Sinn laid down in his book *The Euro Trap* (2014). We must recall here that Sinn exerted a strong influence on the main «enemy» of Varoufakis – the now former Minister of Finance of Germany Wolfgang Schäuble. But while the analyses of Varoufakis and Sinn are marked by definite similarities their standpoints are profoundly different as regards the proposals for an outcome of the Greek crisis as well as the future of Greece and Europe. While Sinn and Schäuble considered that Greece should leave the Eurozone (be it temporarily or forever)⁵, Varoufakis suggests that such a move would have been costly both for Greece and for Europe. According to him, though the adoption of the common currency was a tragic mistake any return would incur considerably graver economic and social damages compared to moving forward towards spurring on federalism in the EU:

I agree that we would be better off if we had never entered the eurozone but hastened to add that it was one thing to have stayed out of euro and quite another to leave it. Exiting would not get us to where we would have been had we not entered! (Varoufakis, 2018, p. 58)

- 20 According to Varoufakis, Greece's leaving the Eurozone is a reserve and extreme strategy which he has put under thorough consideration and preparation.
- 21 All this ensues from the fundamental issue of democracy and federalism in Europe⁶. Actually, the book has focused on the intricacy of problems and divisions in Europe. The dividing lines in Europe are numerous; they intertwine and are difficult to be systematized. They cross nations, geography, interests, economic and political ideas, visions, etc.
- 22 An interesting contradiction or division is that between “politicians” and “institutions”. Varoufakis refers to “continuity versus democracy” (p. 233), “elections versus economic policy” (p. 236), and more precisely between the European leaders elected by democratic procedures and the appointed European functionaries entrusted with vague responsibilities. Following the author, the skirmish between those elected (Varoufakis) and those unelected (*e. g.* Jeroen Dijsselbloem, Chairman of the Eurogroup) is of particular importance for the future architecture of the EU. The European bureaucrats have been directly attacked by the author who considers them to be uncontrollable. The Brussels establishment pursues its own interests and brutally imposes its opinion on the citizens and their representatives. An example of

antidemocratic methods and lack of accountancy is the Eurogroup. The commissioners in the Eurogroup are figure-heads subordinate to their leaders (*e.g.* the “humiliation” of EU Commissionaire Pierre Moscovici by Jeroen Dijsselbloem). Varoufakis considers that the European institutions are important but they should be “justified” by democratic elections.⁷

- 23 Noteworthy within the frameworks of the European topic are the sections in the book devoted to the place of France in the EU. It becomes clear that the rivalry and mistrust between France and Germany has not been overcome and at times even dominates over cooperation. It has been repeatedly written about the different views of Germany and France about Europe (Brunnermeier *et al.*, 2016). Varoufakis has provided new evidence, *e.g.* “Germany’s desire to send the Troïka to Paris” (p. 380) to control the public finances of France. The humiliation of French socialist politicians has been repeatedly mentioned. Their helplessness during negotiations, their silence at meetings in Brussels, etc. Their sporadic attempts at providing support were actually reduced to words only. Varoufakis sympathized with Emmanuel Macron, the member of the ECB Board Benoît Coeuré and the IMF Managing Director Christine Lagarde. According to him, they are the only ones making real attempts at coming to a compromise at the negotiations about the debt. Their attempts however have often been blocked by other French politicians. François Hollande, for instance, blocked Macron’s attempts at a mission for mediation in Athens.

3. European common currency and parallel fiscal payments system

- 24 Another interesting topic set forth in the book is the one about the monetary processes in the Eurozone, about the possible institutional reactions and strategies in case of a liquidity crisis and of the zone being left by a certain country, in this case by Greece. And though against a more general background the book offers interesting discussions about the benefits and costs of the introduction of common currency and about the asymmetries this currency has provoked in the EU we would like to focus on a different topic on which Varoufakis has provided interesting experience. It is about some monetary strategies and institutional monetary innovations which could be adopted during a period of an acute liquidity crisis as well as about the possible long-term decisions as regards the organization of the Eurozone.
- 25 As it has already been mentioned, Varoufakis considers that once set up it is better to keep the Eurozone (he argued about that with a number of adherents and economists of Syriza, *e.g.* Costas Lapavitsas,⁸ and initially with premier Aléxis Tsípras). He considers the Grexit (leaving the Eurozone and introducing a national currency) an extreme crisis strategy or an instrument for a threat in the fight with the ECB. To this effect was Varoufakis’ decision on his very first day as a Minister of Finance to prepare secretly a parallel fiscal payment system and a possible issue of national monetary instruments, to be based within the system of the Treasury (p. 95-98). They had to be launched in the event of a bank crisis. That plan (here we shall not discuss its credibility) along with the threat Greece to haircut SMP Greek bonds to the ECB (and thus to breed disagreement between the ECB and Germany) were the only instruments for pressure in the negotiations with the European institutions and the ECB. We must note here that the monetary and banking system is an important instrument for

political pressure. An evidence to this effect, apart from Varoufakis' strategies, are the numerous actions undertaken by the other actors such as the suspension of the refinancing of Greek banks on the part of the ECB (the banks will have no liquidity or cash then) thereby restricting money withdrawal with the aim of breeding civil discontent and exerting pressure for signing the agreement with the Troika.

- 26 The parallel fiscal payment system Varoufakis wants to launch only at the time of crisis and if all other solutions have been exhausted is an interesting event leading us to the bigger problem: the one of the possible new architecture of the Eurozone. Along these lines of thought we must mention the parallels with the multiple suggestions for introducing into circulation parallel with the Euro national fiscal or other currency (See Théret, 2017)⁹. The French economist Bruno Théret, who has offered one of the original plans for fiscal money (given parity with the Euro and limited convertibility), considered similarly to Varoufakis that returning to the national currency would be a tragic mistake:

Theory of money shows that a currency is much more than a store of value or a means of payment; it functions as a “social operator” of belonging to a political community. The euro has, until now, failed in that respect. The new currency could have contributed to a stronger European political community through economic and monetary integration, but the way in which it was set up as a pure financial tool led to its failure. As a consequence, the European monetary union aggravates the very geographical imbalances and social inequalities it was supposed to attenuate, and weakens the European political identity it was thought to construct. (Théret & Coutrot, 2018, p. 1)¹⁰

- 27 Unlike the classical Keynesian plans of Varoufakis where the Euro will remain the only currency, Théret considers that a dual system shall be a stable long-term institutional solution not only for the economic complexity of Europe but also as regards the complicated political and democratic process which becomes evident at various levels. That duality also corresponds to the principle of subsidiarity. The principle of democracy is important for Théret. He calls that policy “non-nationalist popular sovereignty”.

The creation of a national fiscal credit currency in complement to the euro avoids the pitfalls of the two usual kinds of proposals for resolving the euro crisis, i.e. sovereignty and Europeanism. The former sacrifices the European project on the altar of a supposed democratic sovereignty at the national level, while the latter (in its different versions, neoliberal or Keynesian – providing, for example, for a system with a common currency accompanied by cooperatively devalued national currencies) in fact sacrifices national democratic choices for an improbable Europe-wide consensus on reform.

(Théret & Coutrot, 2018, p. 6)¹¹

- 28 Many of the German scholars (mainly ordoliberal) stressed the potential risks of a Grexit for the German taxpayers and possible spill-over effects to other Southern, crisis-ridden countries in the Eurozone. Among them were also the papers of Professor Dirk Meyer (Helmut-Schmidt University, Hamburg) who contributed with a detailed analysis of the country's options after a default and possible ways to introduce a new parallel currency for Greece (Meyer, 2015). His proposals could be compared – to some extent – to the ideas of Varoufakis.
- 29 In detail, Meyer investigated two possible scenarios for maintaining financial stability in 2015 and possible future of currency cooperation with the Eurozone. The first idea is related to the introduction of a parallel Greek currency (called “Geuro”). As a legal

tender, this “Geuro” could serve for domestic transactions and the euro for external economic relations. But one of the main problems could be the soon depreciation of the “Geuro” against the euro and the rising inflation in the country (Meyer, 2015, p. 329-330). The second variation – the exit of the Eurozone and the introduction of a new national currency (he called it “Neä-Drachmä”) – is considered by Meyer as more favourable for Greece (in the given economic situation in 2015). He proposed to collateralise the “Neä-Drachmä” through the monetization of state property and considered the implementation of this proposal as a way to avoid a new “haircut” and fire sales of state property:

The liquid, saleable part or all of the Greek State’s assets could be transferred to the central bank as special assets. In the same way as a contribution in kind, the State’s assets would be entered in the balance sheet. In the same order of magnitude, the equity (liabilities) would be recorded on the financing side [...]. Instead of gold and other currency reserves, the new currency would be secured by energy and water suppliers, the port of Piraeus, regional airports, the Hellenic Railways Organization, etc.

(Meyer, 2015, p. 331)

In the context of this proposal Meyer didn’t exclude the possibility of the euro usage as a parallel currency and of a later return of Greece to the Eurozone.

- 30 The influential ordoliberal Hans-Werner Sinn also stresses the good points of Varoufakis’ plan of a parallel currency and payment system for Greece (Sinn, 2015). The usage of internal government accounts for clearing purposes (salaries of civil servants, social transfers and other payments to companies vs. the payment of state fees and other bills) was praised by Sinn. According to him, only a new currency is able to solve the economic problems in Greece without causing big social cuts and without a large number of bankruptcies (his comments were written during the crisis period, in July 2015). In Sinn’s opinion, the proposal of the former Greek finance minister could have resulted in the following consequences:

The result would have been a parallel banking system with its own currency, which could have initially been called euro, although the market would quickly have created a different exchange rate between the virtual euro on government accounts and the real euro. With the new system, Varoufakis would have been able to restore the temporary solvency of the state for a few weeks. (Sinn, 2015, p. 6)

- 31 All viewpoints mentioned above about the keeping or denouncing of the Euro aim at showing the variety and overlapping of the views of economists, adherents to various economic ideologies which sometimes paradoxically lead to similar solutions. According to Varoufakis, the Euro should be preserved so as to make possible the pursuing of new large-scale Keynesian policy on European level which he offered in his platform for the European elections. As regards the Austrian school, the Euro would contribute to avoiding a return to monetary nationalism and dirigisme and would preserve the restrictions for national bureaucrats. Following Bruno Théret, that would contribute to the launching of genuine people’s European federalism by adding national fiscal money to the Euro. Some of the German ordoliberals consider that the Euro along with the national currency shall provide a (temporary) possibility for taking into account the differences in the economic development and in the payment positions of the countries in Europe, the stabilization of Greece in particular.
- 32 When we finished this review (end of May 2019), it was reported that Italy’s Deputy Prime Minister Matteo Salvini had said that Italy would release its own fiscal currency in response to the European Commission’s sanctions against Italy (Evans-Pritchard,

2019; Boda, 2019). This is an interesting development of the events. In Italy the projects for fiscal currency have the highest prevalence. Such projects have been launched both from the left (for example Movimento 5 Stelle, Beppe Grillo and Gennaro Zezza) and from a number of nationalistically oriented formations (remember the statements by Silvio Berlusconi some years ago). It is also interesting, but it is another matter, that fiscal currency has a long tradition in Italy (of course in other conditions, for example, in the late 19th and early 20th centuries). Then, the experience of fiscal money was, in general, unsatisfactory and led to the accumulation of debt and inflation. Interestingly, Italy's inappropriate experience is so illustrious that it justifies rejecting such fiscal-deployment projects from other countries¹². Of course, at that time, Italy had an independent Central Bank (actually limited by coverage requirements), whereas today the ECB is out of control of the Italian authorities. In this sense, the limitation of Italian politicians is much greater.

4. Some German economists' reactions related to Varoufakis' book

- 33 The Greek crisis has been discussed as one of the main problems for the survival of the Eurozone among scholars and in the media in Germany. The bailout of the country and possible consequences of a Grexit for the remaining members of the currency union has been on the agenda of important economic and political meetings since the beginning of the Greek crisis. In his book review on Varoufakis (2017) Wolfgang Streeck (Max Planck Institute, Cologne) stresses the opportunity for the readers to get an honest insight in the negotiation process and to understand better the peculiarities of political life (Streeck, 2019).
- 34 The western-educated professor Varoufakis has modelled his view of the negotiation process as a game and has described possible outcomes in the appendix 3 of his book. A different view and game-theory approach is proposed by Smeets, Fürtjes and Kramer(2015) (Heinrich-Heine-Universität Düsseldorf). They interpreted this process as a sequential non-cooperative game with the expected outcome of a bailout with very limited progress in reform efforts and changing preferences of the institutions only after the Greek referendum in July 2015.
- 35 In the context of the unsustainability of the Greek debt und the failure of the macroeconomic adjustment programs to restore financial stability, some of Varoufakis' suggestions for improving the situation in the heavily indebted country would merit further investigation according to the German economists. But Varoufakis proposed measures for solving the Eurozone crisis (co-authored with James Kenneth Galbraith and Stuart Holland) and its far-reaching consequences were not so obvious from a German point of view. Following Britta Kuhn (Wiesbaden Business School), these proposals are related to hidden transfers to Greece and higher damage risks for Germany in the case of a Greek default (Kuhn, 2015).
- 36 The weak performance of the first two credit arrangements for Greece and the long recession in Southern Europe questioned the approach of the European Institutions and the IMF. German experts often discuss complex legal questions of the bailout measures and (non-) compliance with the Treaty and also relevant ethical questions in the European society. Some of them criticised the austerity measures as a violation of the Charter of Fundamental Rights of the EU (Hoffmann & Krajewski, 2012) and the lack of

democratic legitimation of the European policies to rescue the Euro (Scharpf, 2014). These arguments seem to be in line with the argumentation of Varoufakis who considers that the Troïka austerity policy turned the Greek people into a humanitarian crisis under Europe's illiberal und undemocratic "Establishment", as he called it.

Concluding remarks

- 37 Finally, we would like to emphasize that the book is a major documental and historical testimony which provides not only important evidence of the European economy during that period but also information about important economic and political figures. Thus for instance there are interesting facts illustrating the behaviour not only of prominent politicians and high-ranking officials of International Financial Institutions (Emmanuel Macron, Christine Lagarde, Mario Draghi, Angela Merkel, Wolfgang Schäuble, George Osborne, Barack Obama, Bernie Sanders, Benoît Coeuré, David. Lipton), but also of important economist such as Jeffrey Sachs, Paul Krugman, Lawrence Summers, James Kenneth Galbraith, etc. Greek researchers have also been mentioned. Among them is Nicholas J. Theocarakis who for a short time led the negotiations about the debt taking an interest in the history of thought.¹³ A memorable moment was when Theocarakis interrupted the negotiations with the IMF. Varoufakis considers it to be a brave act.
- 38 In conclusion we can sum it up reiterating that Varoufakis' book is a rich source of information and ideas for anyone interested in the current processes in Europe and in the state of the economic science and the trends of its development.

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NOTES

1. There is an exception where Christine Lagarde says: “You speak like Keynes now”, p. 364.
2. There are many other interesting papers dedicated to the Greek crisis and its causes, see for example Trantidis (2016) or studies as Copelovitch, Frieden & Walter (2016). An investigation of the Eurozone crisis from the comparative capitalism perspective (considering diverging financialization in European countries) is presented in Nölke (2018).
3. According to Varoufakis, the Central Bank of Greece hides (underestimates) deliberately part of the volumes of Euro banknotes so as to aggravate the bank crisis in Greece.
4. The crisis is related to unintended implications for the Eurosystem, increasing institutional responsibilities in the Europe and some elements of a hidden transfer mechanism that could be conflicting with the initial understanding of the Treaty from a legal point of view (Tuori, 2016).
5. It is noteworthy that orthodox communists, Marxists and nationalists are in favour of leaving the Eurozone.
6. It would be interesting here to make a parallel with the proposal for a European federation set forth by Friedrich Hayek (2016) [1939]; see also Röpke (1942); Heilperin (2012) [1968]. The Austrian approach to federalism and to monetary federalism in particular will be the subject of a separate study. An in-depth review of the two polar concepts of Europe – “negative” and “positive” integration – is made in the wonderful history of European integration written by John Gillingham (Gillingham, 2003).
7. The democratic legitimacy of EU policy usually is justified by input (involvement of the people in the decision making or interest representation) or output considerations (policy outcome for the people; effective problem solutions). In general, the EU policy is based mostly on output legitimacy but in the context of the European anti-crisis management the policy decisions could not be legitimated in terms of input- or output values (see Scharpf, 2014).
8. See, for example, Lapavistas (2018) for his considerations about potential risks for the Bank of Greece and the Greek public, private and banking sectors in the case of the county’s Eurozone exit.
9. See, for example, Amato, Papadimitriou & Zezza (2016); Andersen & Parenteau (2015), Bossone & Cattaneo (2015), and Bossone *et al.* (2018). Even much earlier, during the negotiations concerning the EMU framework (1989-1991) Britain proposed two alternative arrangements with parallel national currencies (“competitive currencies” and “hard-ECU”) (see Grieco, 1996, p. 271-272).

10. See also Théret & Coutrot (2019).

11. The return to the national currency has been corroborated in various ways (we shall not make a review of literature here). In general, the national, people's sovereignty has been placed logically before the principles of democracy *i.e.* democracy and political processes have been deduced from the national, people's sovereignty. See the arguments of Sapir (Sapir, 2016a; 2016b). Unlike Théret and Varoufakis, there is also an Austrian defence of the common currency (De Soto, 2012, 2015). As we have pointed out, an analysis of the Austrian approach will be set forth separately.

12. See, for example, Willis (1901) and Fratianni & Spinelli (2000). An interesting document on fiscal currency and the experience of fiscal currencies during the war was made on the occasion of Prof. Piotr Migulin's project to release fiscal money in 1915 in Russia (discussion at the Russian Ministry of Finance, 1915). The experience of Italy (*buoni di cassa*) is at the centre of disputes. The Russian project was rejected unanimously, with only M. Tugan Baranovsky supporting it theoretically.

13. Thus, for instance his article on the evolution of theories of value in Aristotle (Theocarakis, 2006). Considering personal memories about some Syriza economists, it is noteworthy that most economists of Syriza, at least in the beginning, came from academic circles and from spheres such as the history of economic thought. A case in point is the prominent historian of thought and economic sociologist, one of the founders of ESHET, Michalis M. Psalidopoulos who is currently a representative of Greece in the IMF. We must note here that Greek researchers have good technical and practical skills. A case in point is Yanis Varoufakis. Economists from other small countries as a rule are not armchair scientists but are actively involved in politics and in economic life.

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