

# GREEK CRISIS 2015

Notes by John E Ransley 1 September 2015

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## Greek Crisis: Peter Thomas Talk 3 June 2015

[3995 Words]

Dear Dan

Thanks for hosting Peter Thomas' fascinating talk on "Cracks in the Fortress? Project Europe and Prospects for the Left". A few afterthoughts may be of interest to the people who attended.

### Austerity

**The dominating European political-economic context is the austerity policy imposed on eurozone countries by the so-called Troika of lenders—the European Commission, the European Central Bank and the US-based IMF (EU-ECB-IMF)—in response to the 2008 GFC.** The doctrine of 'expansionary austerity' claims that slashing government spending (reducing government deficits) has such positive effects on business and consumer confidence that this outweighs its inevitable contractionary effects on the economy. The NeoKeynesian criticism that crushing a country's depressed economy actually makes it harder to repay debt has been borne out in practice. In fact the main effect of austerity in the eurozone has been to cause unprecedented levels of unemployment, currently 25-26 percent in Greece and Spain, the two countries that got the most attention in Peter's talk. In April 2015 Eurostat estimates unemployment at 23.5 million men and women in the EU28 (28 member states), of whom 17.9 million were in the EA19 (euro monetary area, 19 states).

**In the part of his talk addressed to the Greek crisis, Peter argued the Syriza government had only two options: (1) accept the Troika demands; or (2) lead Greece out of the Eurozone.** The former as he noted would be political suicide. The latter he said could be the beginning of Europeanization from below—as opposed to the top-down model that has created the current union. Peter also stressed the troika is very keen to ensure the failure of the Syriza model as a viable solution to the EU crisis, in order to head off electoral success by the anti-austerity Podemos party in the November 2015 Spanish elections.

Peter highlighted that Syriza (together with Spain's Podemos), is an inheritor of 1970s eurocommunism, particularly that version of it articulated by the Greek-French Structural Marxist Nicos Poulantzas. **Consistent with this leftist perspective, Syriza had made commendable moves towards legalising north African refugees.**

I will make some points about Peter's argument below. But first a little potted history to provide context, starting with some juicy extracts from a Michael Lewis article.

## **Michael Lewis: Beware Greeks Bearing Bonds**

“For most of the 1980s and 1990s, Greek interest rates had run a full 10 percent higher than German ones, as Greeks were regarded as far less likely to repay a loan. There was no consumer credit in Greece: Greeks didn’t have credit cards. Greeks didn’t usually have mortgage loans either.

**In 2001, Greece entered the European Monetary Union, swapped the drachma for the euro, and acquired for its debt an implicit European (read German) guarantee. Greeks could now borrow long-term funds at roughly the same rate as Germans—not 18 percent but 5 percent.** To remain in the euro zone, they were meant, in theory, to maintain budget deficits below 3 percent of GDP; in practice, all they had to do was cook the books to show that they were hitting the targets. Enter, in 2001, Wall Street’s Goldman Sachs, which—for a very large fee—engaged in a series of apparently legal but nonetheless repellent deals designed to hide the Greek government’s true level of indebtedness. The machine that enabled Greece to borrow and spend at will was analogous to the machine created to launder the credit of the American subprime borrower—and the role of the American investment banker in the machine was the same.

**Between 2002 and 2007 a tsunami of cheap credit rolled across the planet. The credit wasn’t just money, it was temptation. It offered entire societies the chance to reveal aspects of their characters they could not normally afford to indulge.** Entire countries were told, “The lights are out, you can do whatever you want to do and no one will ever know.” What they wanted to do with money in the dark varied. **Americans wanted to own homes far larger than they could afford, and to allow the strong to exploit the weak. Icelanders wanted to stop fishing and become investment bankers, and to allow their alpha males to reveal a heretofore suppressed megalomania. The Germans wanted to be even more German; the Irish wanted to stop being Irish. No response was as peculiar as the Greeks’, however:** what the Greeks wanted to do, once the lights went out and they were alone in the dark with a pile of borrowed money, was turn their government into a piñata stuffed with fantastic sums and give as many citizens as possible a whack at it. In just the past decade the wage bill of the Greek public sector has doubled, in real terms—and that number doesn’t take into account the bribes collected by public officials. The average government job pays almost three times the average private-sector job .... [a list follows].

**Oddly enough, the financiers in Greece remain more or less beyond reproach. They never ceased to be anything but sleepy old commercial bankers.** Virtually alone among Europe’s bankers, they did not buy US subprime-backed bonds, or leverage themselves to the hilt, or pay themselves huge sums of money. **The biggest problem the banks had was that they had lent roughly 30 billion euros to the Greek government—where it was stolen or squandered.** In Greece the banks didn’t sink the country. The country sank the banks.

*[The party finally came to an end with the overthrow of the right wing Karamanlis government in October 2009. The decisive factor was the Vatopaidi scandal. Michael Lewis continues:]*

Dimitri Contominas, the billionaire creator of a Greek life-insurance company and, as it happens, owner of the TV station that broke the Vatopaidi scandal, put it to me bluntly: “The Vatopaidi monks brought George Papandreou to power.”

After the new party (the supposedly socialist Pasok) replaced the old party (the supposedly conservative New Democracy), it found so much less money in the government's coffers than it had expected that it decided it had no choice but to come clean. **The prime minister announced that Greece's budget deficits had been badly understated—and that it was going to take some time to nail down the numbers. Pension funds and global bond funds and other sorts who buy Greek bonds, having seen several big American and British banks go belly-up, and knowing the fragile state of a lot of European banks, panicked.** The new, higher interest rates Greece was forced to pay left the country—which needed to borrow vast sums to fund its operations—more or less bankrupt. In came the IMF to examine the Greek books more closely; out went whatever tiny shred of credibility the Greeks had left. “How in the hell is it possible for a member of the euro area to say the deficit was 3 percent of GDP when it was really 15 percent?” a senior IMF official asks. “How could you possibly do something like that?”

*Michael Lewis, Vanity Fair, October 2010*

<http://www.vanityfair.com/news/2010/10/greeks-bearing-bonds-201010>

## **Bloomberg: Who Benefits?**

**“Let's begin with the observation that irresponsible borrowers can't exist without irresponsible lenders. Germany's banks were Greece's enablers. Thanks partly to lax regulation, German banks built up precarious exposures to Europe's peripheral countries in the years before the crisis.** By December 2009, according to the Bank for International Settlements, German banks had amassed claims of €556bn (\$704 billion) on Greece, Ireland, Italy, Portugal and Spain, much more than the German banks' aggregate capital. In other words, they lent more than they could afford.

**When the EU and the ECB stepped in to bail out the struggling countries, they made it possible for German banks to bring their money home. As a result, they bailed out Germany's banks as well as the taxpayers who might otherwise have had to support those banks if the loans weren't repaid.** Unlike much of the aid provided to Greece, the support to Germany's banks happened automatically, as a function of the currency union's structure. [explanation follows]

**It's hard to quantify exactly how much Germany has benefited from its European bailout.** One indicator would be the amount German banks pulled out of other euro-area countries since the crisis began. According to the BIS, they yanked €279bn (\$353 billion) from December 2009 to the end of 2011 (the latest data available). Another would be the increase in the Bundesbank's claims on other euro-area central banks. That amounts to €466bn (\$590 billion) from December 2009 through April 2012, though it would also reflect non-German depositors moving their money into German banks.

By comparison, Greece has received a total of about €340bn in official loans to recapitalize its banks, replace fleeing capital, restructure its debts and help its government make ends meet. **Only about €15bn of that has come directly from Germany. The rest is all from the ECB, the EU and the International Monetary Fund.”**

**Bloomberg 24May2012**

<http://www.bloombergview.com/articles/2012-05-23/merkel-should-know-her-country-has-been-bailed-out-too>

## **Currency devaluation not an option**

Devaluation of your currency is the macroeconomics standard crisis-fighting tool when a country goes into recession. Instead of going through the protracted pain of cutting wages you just devalue your currency — reduce its value in terms of other currencies — and you effect a de facto wage cut.

**But this is not an option when your country is part of a currency union, as Greece is. Iceland's post GFC recovery shows how having your own currency works.** Paul Krugman:

“Iceland’s bankers had run up foreign debts that were many times its national income. Unlike Ireland, which tried to salvage its banks by guaranteeing their debts, the Icelandic government forced its banks’ foreign creditors to take losses, thereby limiting its debt burden. And by letting its banks default, the country took a lot of foreign debt off its national books.

At the same time, Iceland took advantage of the fact that it had not joined the euro and still had its own currency. It soon became more competitive by letting its currency drop sharply against other currencies, including the euro. Iceland’s wages and prices quickly fell about 40 percent relative to those of its trading partners, sparking a rise in exports and fall in imports that helped offset the blow from the banking collapse.

The combination of default and devaluation has helped Iceland limit the damage from its banking disaster. In fact, in terms of employment and output, Iceland has done somewhat better than Ireland and much better than the Baltic nations.”

**Long article by Paul Krugman: 16Jan2011**

<http://www.nytimes.com/2011/01/16/magazine/16Europe-t.html>

## **Election of Syriza Government 25Jan15**

At the Greek election on 25 January 2015 the left-wing party SYRIZA won 149 out of the 300 seats, 2 short of an absolute majority. Alexis Tsipras was sworn in as Prime Minister of Greece on 26 January 2015, after reaching a coalition agreement with ANEL, a right wing conservative anti-austerity party that won 13 seats. The neo-fascist Golden Dawn party was reduced by one seat to 17, following the arrest of some of its MPs to face trial on suspicion of forming a criminal organization.

[http://en.wikipedia.org/wiki/Greek\\_legislative\\_election,\\_2015](http://en.wikipedia.org/wiki/Greek_legislative_election,_2015)

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## **Back to Peter's talk**

**1. Greek voters reject the two options described by Peter. 75% want to stay in the Eurozone.** A poll reported 30April15 after a television interview of PM Alexis Tsipras

showed the vast majority of Greeks want to stay in the euro zone and are against snap elections, while half of them worry that Greece may leave the euro.

<http://greece.greekreporter.com/2015/04/30/poll-shows-75-of-greeks-want-to-stay-in-euro-zone/>

**2. Third Option.** In fact there is and has always been since the election of the Syriza government, a third option, one that is more likely to get up than either of Peter's two. This is the proposal being advanced by the Syriza government and explicitly endorsed by Paul Krugman, economics columnist for the *New York Times*. Nobel prize-winner Krugman is perhaps the world's leading public NeoKeynesian economist, so despite Syriza being eurocommunist, its reform proposal can be regarded as NeoKeynesian.

**3. Paul Krugman.** Krugman's blog is the most widely read economics blog in the English speaking world. **Other top flight NeoKeynesian economists who write for the public are Brad DeLong, Simon Wren-Lewis, Nouriel Roubini, Joseph Stiglitz and not least, Queensland's own John Quiggin.** Robert Skidelsky, author of a major award-winning biography of British economist John Maynard Keynes, also falls into this camp. As far as I can ascertain, they would all support the approach taken by the Syriza government.

NeoKeynesian economics is mainstream economics, although generally opposed by the political right. Krugman describes himself as "depressingly mainstream". The following extracts are taken from his running commentary on the Greek crisis.

#### **Greek Debt is an accounting fiction: 26Jan15 blog:**

"Most discussion is framed in terms of what happens to the debt. But at this point Greek debt, measured as a 'stock', is not a very meaningful number. After all, the great bulk of the debt is now 'officially' held, the interest rate bears little relationship to market prices, and the interest payments come in part out of funds lent by the creditors. **In a sense the debt is an accounting fiction; it's whatever the governments trying to dictate terms to Greece decide to say it is.**"

<http://krugman.blogs.nytimes.com/2015/01/26/greece-think-flows-not-stocks/>

#### **Greek primary surplus: 26Jan15 blog:**

**"Greece's primary surplus is the difference between what it takes in via taxes and what it spends on things other than interest.** This surplus — which is a flow, not a stock — represents the amount Greece is actually paying, in the form of real resources, to its creditors, as opposed to borrowing funds to pay interest. Greece has been running a primary surplus—an excess of revenue over spending not including interest—since 2013, and according to its agreements with the troika it's supposed to run a surplus of 4.5 percent of GDP for many years to come. What would it mean to relax that target? ... Keep your eyes on that ball."

<http://krugman.blogs.nytimes.com/2015/02/02/whos-unreasonable-now/>

#### **Greece should keep most of its primary surplus, not pay it to creditors: 2Feb15 blog:**

"Yanis Varoufakis is saying that he and his colleagues don't care what happens to the headline value of the debt — if you want to claim that there has been no write-off, OK.

**What they want instead is substantive but not outrageous relief from the burden of running primary surpluses, reducing the amount of resources transferred to creditors**

**from 4.5 to 1-1.5 percent of GDP**; they also want flexibility to achieve these surpluses with a mix that includes more revenue and less spending austerity. This is a dastardly ploy by those left-wing radicals. You see, it's completely reasonable. The key point is to grant Greece some relaxation — but not elimination — of the requirement that it run large primary surpluses, thereby creating room for recovery. And that's what Greece is now asking for.”  
<http://krugman.blogs.nytimes.com/2015/02/02/whos-unreasonable-now/>

### **Pandering to German voters: Krugman column 6Feb15**

“Germany is demanding that Greece keep trying to pay its debts in full by imposing incredibly harsh austerity. The implied threat if Greece refuses is that the central bank will cut off the support it gives to Greek banks. And that would wreak havoc with Greece's already terrible economy. Yet pulling the plug on Greece would pose enormous risks, not just to Europe's economy, but to the whole European project, the 60-year effort to build peace and democracy through shared prosperity.

**Like all too many crises, the new Greek crisis stems, ultimately, from political pandering. It's the kind of thing that happens when politicians tell voters what they want to hear, make promises that can't be fulfilled, and then can't bring themselves to face reality and make the hard choices they've been pretending can be avoided.** I am, of course, talking about Angela Merkel, the German chancellor, and her colleagues.

Unfortunately, German politicians have never explained the math to their constituents. Instead, they've taken the lazy path: moralizing about the irresponsibility of borrowers, declaring that debts must and will be paid in full, playing into stereotypes about shiftless southern Europeans. And now that the Greek electorate has finally declared that it can take no more, German officials just keep repeating the same old lines.

**Maybe the Germans imagine that they can replay the events of 2010, when the central bank coerced Ireland into accepting an austerity program by threatening to cut off its banking system.** But that's unlikely to work against a government that has seen the damage wrought by austerity, and was elected on a promise to reverse that damage.”  
<http://www.nytimes.com/2015/02/06/opinion/a-game-of-chicken.html>

### **Troika demand would cut Greek GDP by 8%: Krugman column 16Feb15:**

**“You can argue that Greece brought its problems on itself, although it had a lot of help from irresponsible lenders.** At this point, however, the simple fact is that Greece cannot pay its debts in full. **Austerity has devastated its economy as thoroughly as military defeat devastated Germany after WWI**— real Greek GDP per capita fell 26 percent from 2007 to 2013, compared with a German decline of 29 percent from 1913 to 1919.

Despite this catastrophe, Greece is making payments to its creditors and running a primary surplus of around 1.5 percent of GDP. And the new Greek government is willing to keep running that surplus. What it is not willing to do is meet creditor demands that it triple the surplus [to 4.5%], and keep running huge surpluses for many years to come.

What would happen if Greece were to try to generate those huge surpluses? It would have to further slash government spending — but that wouldn't be the end of the story. Spending cuts have already driven Greece into a deep depression, and further cuts would make that

depression deeper. Falling incomes would, however, mean falling tax receipts, so that the deficit would decline by much less than the initial reduction in spending — probably less than half as much. To meet its target, then, Greece would have to do another round of cuts, and then another. Furthermore, a shrinking economy would lead to falling private spending too — another, indirect cost of the austerity.

**Put it all together, and attempting to cough up the extra 3 percent of GDP the creditors are demanding would cost Greece not 3 percent, but something like 8 percent of GDP.**

And remember, this would come on top of one of the worst economic slumps in history.”

<http://www.nytimes.com/2015/02/16/opinion/paul-krugman-weimar-on-the-aegean.html>

**“Absurd” troika demand intended to force Grexit: Paul Krugman Blog: 16Feb15**

“OK, this is amazing, and not in a good way. Greek talks with finance ministers have broken up over [the Eurogroup] draft statement, which the Greeks have described as “absurd.” [Draft statement] translation: no give whatsoever on the primary surplus of 4.5 percent of GDP.

There was absolutely no way Tsipras and company could sign on to such a statement, which makes you wonder what the Eurogroup ministers think they’re doing. **I guess it’s possible that they’re just fools — that they don’t understand that Greece 2015 is not Ireland 2010, and that this kind of bullying won’t work.** Alternatively, and I guess more likely, they’ve decided to push Greece over the edge. Rather than give any ground, they prefer to see Greece forced into default and probably out of the euro, with the presumed economic wreckage as an object lesson to anyone else thinking of asking for relief. “

<http://krugman.blogs.nytimes.com/2015/02/16/athenae-delenda-est/>

**Primary surplus disappearing act: 30May15 blog:**

“There is, one must admit, a new problem caused by the current confrontation itself: uncertainty has pushed Greece back into recession, and the primary surplus achieved last year has vanished. But given a deal it should be possible to arrange some temporary financing while a modest recovery puts the primary balance back into the black.”

<http://krugman.blogs.nytimes.com/2015/05/30/last-exit-before-chaos/>

**Greece can’t pay all of the interest on its debt: Krugman column 1June15:**

**“Greece can’t and won’t pay all of the interest coming due on its existing debt, let alone pay back its debt,** because that would require a crippling new round of austerity that would inflict severe economic damage and would be politically impossible in any case. So we know what the outcome of a successful negotiation would be: Greece would be obliged to run a positive but small “primary surplus,” that is, an excess of revenue over spending not including interest. Everything else should be about framing and packaging.”

<http://www.nytimes.com/2015/06/01/opinion/paul-krugman-that-1914-feeling.html>

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**4. Greek debt will never be repaid in full.** Everyone knows this. You can’t suck blood out of a stone.

5. The last Greek loan repayment of €750m to the IMF on 12 May was paid with an IMF loan: <http://www.nytimes.com/2015/05/13/business/international/vicious-debt-cycle-haunts-greece.html>

6. On Wednesday 3 June Greek PM Tsipras presented the troika with a 47-page list of proposed reforms. But the creditors put forward a rival plan hammered out without Greece at a meeting in Berlin on Monday 1 June attended by the leaders of Germany and France. **It was a demand for even more austerity, anathema to a party catapulted into office on the promise of terminating austerity.** The ultimatum demanded spending cuts and tax increases worth 2% of the country's GDP in the form of pension and VAT reform as the price for €7.2bn in fresh financial help. Particularly offensive to Syriza was an "11 percent tax on medicine and 23 percent tax on energy". In effect the troika was still demanding an increase in the Greek primary surplus to 4.5 percent and that all of the surplus should go towards paying down Greece's debt.  
<http://www.theguardian.com/business/2015/jun/04/greece-delays-300m-payment-to-imf>

7. On Friday 5 June the Syriza government shocked the IMF by deferring a loan repayment of €300m due that day, instead telling the IMF it will bundle together all €1.6bn of debt payments due and settle up on 30 June. Greece's finance minister, Yanis Varoufakis, told *Sky News*: "Objectively speaking, we have until the 30 June because this is when the extension of the agreement with our creditors expires."  
<http://www.theguardian.com/business/2015/jun/04/greece-delays-300m-payment-to-imf>

## Summary

1. Forget about the debt number and focus on the primary surplus.
2. What do the troika want? **They want to increase the Greek primary surplus to 4.5 percent by imposing even more severe austerity, and take this surplus to pay off debt or at least interest on debt.** For this they are offering €7.2bn in fresh financial help, which would mostly be used to maintain the round robin of scheduled debt repayments to creditors. Their big stick is forcing Greece out of the eurozone, which they know would be deeply unpopular with Greek voters, besides causing massive economic damage. According to Paul Krugman, the effect of their demands if accepted would cut Greek GDP by 8 percent.
3. What does Syriza want? **They want substantive but not outrageous relief from the burden of running primary surpluses, reducing the amount of resources transferred to creditors from 4.5 to 1-1.5 percent of GDP;** they also want flexibility to achieve these surpluses with a mix that includes more revenue and less spending austerity.

John Ransley  
9 June 2015

**“Primary Surplus” explained:**

<http://www.investopedia.com/terms/b/budget-surplus.asp>

**Why Greece needs to default within the Eurozone: Yanis Varoufakis 16May12**

<http://yanisvaroufakis.eu/2012/05/16/weisbrot-and-krugman-are-wrong-greece-cannot-pull-off-an-argentina/>

## Update 9June15

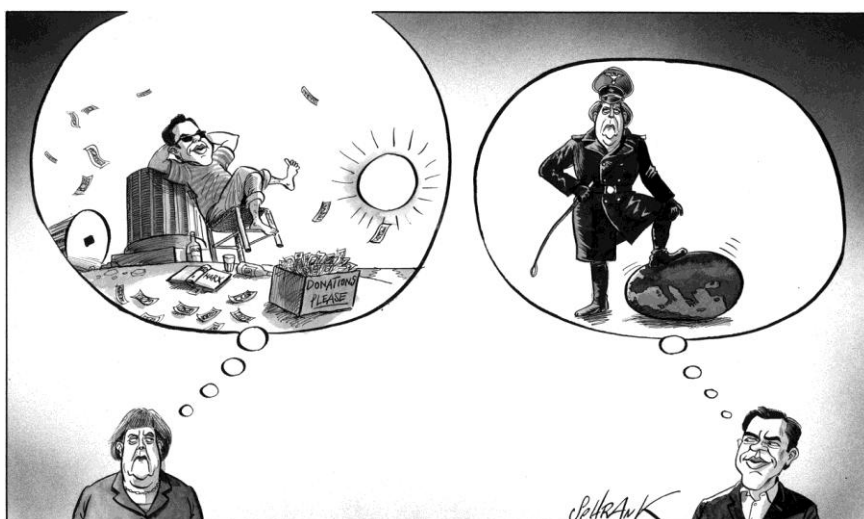
**Roger Cohen’s columns in the *New York Times* are always interesting for an American ‘liberal’ point of view.** But his latest column, “The Greek Trap”, shows he has swallowed the troika line whole. On this occasion his commenters have the better of it, although not written with the same flair and clarity Cohen is known for. But clarity and flair do not cut it when you’re wrong. Here is one comment, from *Joel (Branford, CT)*:

Dear Mr Cohen, It is not true that the Greeks desperately need those 8 billions. Now that they are in primary surplus (or at least were a few months ago, and would be again if the situation clarifies), the only reason they need these 8 billions is to be not officially considered defaulting. If the 8 billions are paid by the IMF and EU, they won't go to Greece, they will go directly to Greeks' creditors, ie basically the same IMD and EU, together with whatever primary surplus Greece can make. As several readers have already said, you should read the columns of your colleague Krugman on this.

**Cohen’s column (and comments) is here:**

<http://www.nytimes.com/2015/06/09/opinion/roger-cohen-greece-the-greek-trap.html>

## Cartoon Time:



*Peter Shrank*



**CLINGING ON**

*Ingram Pinn 1 May 15*

## RESPONSE TO JOHN PILGER

By John E Ransley 27July15

**From: Daniel O'Neill [mailto:d.oneill@uq.edu.au]**

Sent: Wednesday, 22 July 2015 9:52 PM

To: Undisclosed recipients:

Subject: Pilger on Greece

<http://www.truth-out.org/opinion/item/31842-the-problem-of-greece-is-not-only-a-tragedy-it-is-a-lie>

Hi Dan

Thanks for the link. Events are moving very quickly and I don't have time to write my own analysis, so I will just make a few comments and provide a scrapbook of media extracts.

This response updates my previous 'scrapbook' article published on the West End Worker's Bush Telegraph website: <https://workersbushtelegraph.com.au/essays-2/analysis/>

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It was pretty much inevitable that someone would make the class argument and it is no surprise that Pilger has stepped up to the mark. But the Greek crisis is austerity warfare not class warfare, and even though the anti-austerity forces have been resoundingly defeated in the latest battle, the war still has a long way to go, not just in Greece but in Europe generally.

Pilger's article struggles to fit the Greek crisis into his ideological framework. His summary spray is wonderfully wrong, twisting Syriza's anti-austerity project into its complete opposite:

“The leaders of Syriza are revolutionaries of a kind—but their revolution is the perverse, familiar appropriation of social democratic and parliamentary movements by liberals groomed to comply with neoliberal drivel and a social engineering whose authentic face is that of Wolfgang Schäuble, Germany's finance minister, an imperial thug.”

**Austerity economics is a right wing neoliberal project. Syriza is a leftist party in the sense that it was elected on an anti-austerity platform. But it also maintains strong leftist positions on a variety of other issues, for example immigration.** Although there are right wing anti-austerity parties in Greece (and Europe), their other signature policies clearly differentiate them from Syriza: ANEL, Syriza's minority coalition partner, is nationalist, conservative and populist, and Golden Dawn (KKE) is ultranationalist, even neo-Nazi, and viciously anti-immigrant.

Rather than getting caught up in the usual left argument about left credentials, it is much more interesting to analyse the Syriza experiment in terms of their stated goals. Here is how former finance minister Varoufakis described their agenda in May 2012:

**“Does this mean that Greece ought to grin and bear the massive and misanthropic idiocy of the bailout-austerity package imposed upon it by the troika (EU-ECB-IMF)?** Of course not. We should certainly default. But within the

Eurozone. And use our readiness to default as a bargaining strategy by which to bring about a New Deal for Europe.”

<http://yanisvaroufakis.eu/2012/05/16/weisbrot-and-krugman-are-wrong-greece-cannot-pull-off-an-argentina/>

**He maintained this argument right through to his resignation (*New Statesman 13 July*):**

“The referendum of 5 July [which was Varoufakis’ idea] has also been rapidly forgotten. It was preemptively dismissed by the Eurozone, and many people saw it as a farce. But Varoufakis believes that it could have changed everything. On the night of the referendum he had a plan, Tsipras just never quite agreed to it.

**Varoufakis spent the past month warning the Greek cabinet that the ECB would close Greece’s banks to force a deal. When they did, he was prepared to do three things:** issue euro-denominated IOUs; apply a “haircut” to the bonds Greece issued to the ECB in 2012, reducing Greece’s debt; and seize control of the Bank of Greece from the ECB. None of the moves would constitute a Grexit but they would have threatened it. Varoufakis was confident that Greece could not be expelled by the Eurogroup; there is no legal provision for such a move. But only by making Grexit possible could Greece win a better deal. And Varoufakis thought the referendum offered Syriza the mandate they needed to strike with such bold moves – or at least to announce them.”

**Varoufakis had wanted to enact his “trptych” of measures earlier in the week, when the ECB first forced Greek banks to shut. On the night of the successful referendum vote, Syriza’s six-strong inner cabinet defeated the Varoufakis plan by four votes to two.** Sunday night was his final attempt, making his resignation inevitable:

“That very night the government decided that the will of the people, this resounding ‘No’, should not be what energised [his plan]. Instead it should lead to our Prime Minister accepting whatever the other side does ... folding ... ceasing to negotiate.”

Varoufakis’s resignation brought an end to a four-and-a-half year partnership with Tsipras, a man he met for the first time in late 2010. **An aide to Tsipras had sought him out after his criticisms of George Papandreou’s government, which accepted the first Troika bailout in 2010.** Varoufakis again:

“Tsipras wasn’t clear back then what his views were, on the drachma versus the euro, on the causes of the crises, and I had very, well shall I say, ‘set views’ on what was going on. A dialogue begun ... I believe that I helped shape his views of what should be done.”

<http://www.newstatesman.com/world-affairs/2015/07/exclusive-yanis-varoufakis-opens-about-his-five-month-battle-save-greece>

## Comment

It is interesting that Varoufakis only revealed this and other parts of the crisis story after Tsipras had bowed to the troika. Possible motives include demonstrating his oft-repeated commitment to complete openness; putting on the record the real reason for his split with Tsipras; and attempting to influence the next stage of the crisis. He is certainly saying his plan was a credible negotiating tactic, and that he still believes it was a much better option than total capitulation. His confidence indicates that it wasn't a back-of-the-envelope plan but a fully developed alternative. He had, after all, been thinking about it for three years and when Syriza was elected he got access to the department of finance and its expertise.

Varoufakis' revelations may have influenced some Syriza members to join him in voting against the first tranche of the "third bailout" provisions on 16 July (Varoufakis voted for the second tranche 23 July). Varoufakis has been placing his version of the referendum in various English media, including a piece in CNN published 20 July 15:

<http://edition.cnn.com/2015/07/20/world/amanpour-greece-yanis-varoufakis/>

**It seems likely that Tsipras went along with Varoufakis' referendum idea but did not expect to win it. The result certainly enraged the troika** and when Varoufakis' replacement Euclid Tsakalotos arrived at his first Brussels meeting he accidentally revealed his personal files included a handwritten note with the words "*no triumphalism*", widely interpreted as a reference to the referendum.

The decision as to how to respond to the strong 'No' vote seems to have been a pivotal one, not just for Tsipras and Varoufakis, but for the whole Syriza anti-austerity project. **Tsipras rejected Varoufakis' plan B—the only proposal on the table that sought to actually use the referendum result as a bargaining tool—broke his political partnership with Varoufakis (and the left wing of Syriza), abandoned the agenda to fight austerity—the platform on which Syriza was elected—and decided in effect to move to the political centre.** Only one other minister in the Tsipras inner cabinet voted for Varoufakis plan, most likely the Marxist Energy Minister, Panagiotis Lafazanis, the only senior minister sacked by Tsipras in his 17 July mini-reshuffle.

This was the moment for a clear parting of ways between the two men, one the macroeconomist and political strategist, the other now a fully fledged political leader forged by five intense months of eurozone shuttle negotiations. It is a classic tale of a brilliant political partnership broken apart by a ruthless, dogmatic and vastly superior force.

**It is no secret the troika hated negotiating with a finance minister who insisted on articulating the overwhelming view of macroeconomists that eurozone-style austerity doesn't work.** Varoufakis was taken off the Greek negotiation team as early as April, but they couldn't stop him attending finance ministers' meetings. It is pure speculation but it is possible Tsipras' intense engagement with eurogroup negotiators facilitated his break with Varoufakis by a process of gradual cooption. Once he had capitulated—like every other Greek prime minister in the last five years—they were prepared to tolerate the anti-eurozone rhetoric he deployed for domestic consumption, so long as he mostly did what he was told.

Unfortunately we only have (in English at least), Varoufakis' own account. We don't know what Tsipras was thinking, we can only get a sense from his actions. It is possible he was intimidated by the extreme German threats that a referendum 'No' vote could only lead to a

Grexit. It is possible he thought that Varoufakis' plan B—which he must have been familiar with—was too risky without the ability to really deliver a Grexit, which Varoufakis had advised was beyond the capacity of the Syriza government. It is possible he sought and got contrary economic advice from other quarters, for example from Euclid Tsakalotos, the economist who replaced Varoufakis as finance minister.

Perhaps this account of Tsipras is too harsh, and he has only made a strategic retreat until the next crisis predictably erupts. Perhaps he thought Varoufakis's ambitious project to overthrow EU austerity policies was too much to ask of little Greece. Perhaps he thought that having so comprehensibly failed it was his responsibility to at least ensure the banks reopened so pensioners could be paid. Speculation aside, his popularity with voters hasn't suffered, probably because of a perception that he stood up for Greece over five long months, and only failed because those bastards in Brussels were too powerful.

### Summary

**Syriza took a battering ram to troika's austerity policies but barely made a dint in the castle walls.** The Tsipras-Varoufakis good cop/bad cop theatre was probably their only chance of success but it needed to be carried through to its logical conclusion, and Tsipras shied at the last post. The Greek crisis is by no means finished; most economists agree with the IMF that the current deal cannot work without a major debt haircut. It is early days yet to gauge whether the very public brutal treatment of Syriza has succeeded in warning off other European anti-austerity parties such as Podemos ('We Can') in Spain. What lesson they take—except perhaps that it is best to avoid full confrontation—is still being worked out: <http://www.telegraph.co.uk/finance/economics/11758853/Why-Greeces-ritual-humiliation-wont-kill-off-Europes-revolutionary-Left.html>



*Yanis Varoufakis (right) with Prime Minister Alexis Tsipras*

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## SCRAPBOOK

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### **Greece 2009 was the excuse for austerity economics: Paul Krugman 29April15**

By late 2008 it was already clear in every major economy that conventional monetary policy, which involves pushing down the interest rate on short-term government debt, was going to be insufficient to fight the financial downdraft. Now what? The textbook answer was and is fiscal expansion: increase government spending both to create jobs directly and to put money in consumers' pockets; cut taxes to put more money in those pockets.

From the beginning, there were plenty of people strongly inclined to oppose fiscal stimulus ... **But they had a problem: their dire warnings about the consequences of deficit spending kept not coming true ... Alan Greenspan had an answer: "Growing analogies to Greece set the stage for a serious response." Greece was the disaster austerians were looking for.** In September 2009 Greece's long-term borrowing costs were only 1.3 percentage points higher than Germany's; by September 2010 that gap had increased sevenfold. Suddenly, austerians had a concrete demonstration of the dangers they had been warning about. A hard turn away from Keynesian policies could now be justified as an urgent defensive measure, lest your country abruptly turn into another Greece.

<http://www.theguardian.com/business/ng-interactive/2015/apr/29/the-austerity-delusion>

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### **Pivotal fortnight in Greek crisis 22June-6July15**

#### **Tsipras offers concessions, troika wants total capitulation: 22June15**

After five months of fruitless talks, job losses of more than 20,000 and an estimated 60 businesses shutting every day, on 22 June the Tsipras government tabled a new set of proposals which for the first time gave significant ground to the troika. Costas Lapavistas describes how it went:

“A few days ago the Greek government submitted a list of proposals hoping to break the deadlock with the “institutions”. The government basically agreed to tough primary surpluses: 1% in 2015 and 2% in 2016. To achieve these targets it proposed to raise VAT on a range of widely consumed goods as well as imposing a host of taxes on enterprises and families of “high” income. It also proposed substantial savings on pensions. The measures added up to roughly €8bn over 2015-16, and would be immediately implemented.

To general astonishment, the response of the “institutions”, led by the IMF, was to demand even tougher measures to achieve the same targets. These include more severe increases in VAT, a lessening of the tax burden on enterprises and greater pension savings.”

<http://www.theguardian.com/commentisfree/2015/jun/25/greece-blackmailed-eurozone-troika-syriza-common-currency>

### **Angela Merkel threat 26June15**

After a two-day EU leaders' summit that ended in Brussels on Friday, EU officials said Tsipras had about 20 hours to choose between accepting the creditors' ultimatum or embarking on a road that could take Greece out of the euro.

“Angela Merkel, the German chancellor, who talked privately with the Greek leader in Brussels on Friday morning, urged him to go the “extra step” and accept what she described as “a very generous offer”. **She ruled out any more emergency summits on the Greek crisis and delivered a pointed message to Tsipras by stressing how, during the Cyprus bailout two years ago, Cypriot banks had to be closed “for a few days”,** forcing the political leaders to come to Brussels to deal with the creditor institutions and the Eurogroup finance ministers in order to resolve the issue.”

<http://www.theguardian.com/business/2015/jun/26/creditors-ringfence-greece-economy-alexis-tsipras>

### **Referendum called 27June15**

Following an emergency meeting of his cabinet on Friday evening, in the early hours of **Saturday 27 June PM Tsipras used an unscheduled address to the nation on Greek TV to announce that the package of austerity measures proposed by the country's creditors – made in a last-ditch effort to avert default – would be put to popular vote in a referendum on Sunday 5 July.**

“After five months of hard negotiations our partners, unfortunately, ended up making a proposal that was an ultimatum towards Greek democracy and the Greek people,” he said in a national address, “an ultimatum at odds with the founding principles and values of Europe, the values of our common European construction.”

“These proposals, which clearly violate the European rules and the basic rights to work, equality and dignity, show the purpose of some of the partners and institutions was not a viable agreement for all parties, but possibly the humiliation of an entire people ... [they are] blackmail for the acceptance on our part of severe and humiliating austerity without end and without the prospect of ever prospering socially and economically”.

Describing the vote as a “historic decision”, Tsipras said he had informed the leaders of France, Germany and Mario Draghi, the head of the European Central Bank about the decision. “I asked them to extend our current bailout by a few days so this democratic process could take place,” he said. “But I personally pledged that I will respect the result of your democratic choice, whatever that may be.”

<http://www.theguardian.com/world/2015/jun/26/greece-calls-referendum-on-bailout-terms-offered-by-creditors>

## Leaked documents: A Very Curious Deal: 1July15

Leaked documents show Greece would face an unsustainable level of debt by 2030 even if it signed up to the full troika package. The documents were obtained by *Süddeutsche Zeitung* after they were sent to all German MPs with the expectation the deal would need to be approved by the country's parliament. A vote in the Bundestag never took place as the Greek Prime Minister, Alexis Tsipras, rejected the plans and called a referendum on whether to accept the creditors' demands.

The documents, drawn up by the so-called troika of lenders, support Greece's argument that it needs substantial debt relief for a lasting economic recovery. The country's debt level is currently 175% and likely to go higher because of its recent slide back into recession.

The second document in the pack of six shows the €35bn investment package that several governments, including Germany's, pointed out was offered to Greece last week was not an ad hoc investment but is actually an EU grant that is regularly available to all member states. However, as *Süddeutsche Zeitung* points out, accessing the cash requires a 15% co-financing in Greece's case, which it cannot afford.

**A third document spelling out how Greece would have received €15bn to meet its obligations until the end of November, admits 93% of the funds would have gone straight to cover the cost of maturing debt for the duration of the extension.**

<http://www.theguardian.com/business/2015/jun/30/greek-debt-troika-analysis-says-significant-concessions-still-needed>

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## Yanis Varoufakis: Paul Mason 6July15

Why did Varoufakis go? The official reason, on his blog, was pressure from creditors. But there are a whole host of other reasons that made it easier for him to decide to yield to it.

First, though he came from the centre-left towards Syriza, Varoufakis ended up consistently taking a harder line than many others in the Greek cabinet over the shape of the deal to be done, and the kind of resistance they might have to unleash if the Germans refused a deal.

Second, because Varoufakis is an economist, not a politician. **His entire career, and his academic qualifications are built on the conviction that a) austerity does not work; b) the Eurozone will collapse unless it becomes a union for recycling tax from rich countries to poor countries; c) Greece is insolvent and its debts need to be cancelled.** By those measures, any deal Greece can do this week will fall short of what he thinks will work.

On top of that, politicians are built for compromise. Tsipras has to work the party machine, the government machine, the machine of parliament. Varoufakis' machine is his own brain.

If he wound up the creditors it was for a reason: they'd convinced themselves that Tsipras was a Greek Tony Blair and would simply betray his promises and compromise on taking office. **The lenders detested Varoufakis because he looked and sounded like one of**

**them. He spoke the language of the IMF and ECB, and turned their own logic against them.** But he achieved his objective: he convinced the lenders Greece was serious.

Varoufakis critics in Greek politics accused him of flamboyant gestures and adopting a stance he could not deliver on. His critics in Syriza believed from the outset he was “a neo-liberal”.

**Among the lenders it was always the north European politicians who could not live with Varoufakis.** Though he was at odds with the IMF’s Christine Lagarde and at odds with the IMF over all matters of substance they at least spoke the same language. His policy was total honesty, and when it could not be honesty in public it was honesty in private. He exploded the world of Brussels journalism, which had become back-channel stenography, by publishing the key documents, usually sometime after midnight.

In the process he has templated a style of politics that may be equally adaptable for the right as on the left, for those with the will to try it: operating from principles, being as open as possible with information, engaging the public in language they can understand, and putting his entire persona on the line.

<http://blogs.channel4.com/paul-mason-blog/yanis-varoufakis-economist-play-politics/4081#more-4081>

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## **2010 IMF austerity program crashed Greek economy. 9July15**

**On 9 July 2015 just retired IMF Chief Economist Olivier Blanchard posted a defence of IMF policies as they have related to Greece since 2010.** He sought to address four main categories of criticisms including this: “Growth-killing structural reforms, together with fiscal austerity, have led to an economic depression.”

<http://blog-imfdirect.imf.org/2015/07/09/greece-past-critiques-and-the-path-forward/>

Blanchard is a highly respected new Keynesian economist but his apologetic has not been received well, especially this assertion:

“The decrease in output was indeed much larger than had been forecast. Multipliers were larger than initially assumed. But fiscal consolidation explains only a fraction of the output decline. Output above potential to start, political crises, inconsistent policies, insufficient reforms, Grexit fears, low business confidence, weak banks, all contributed to the outcome.”

**Which says in effect that the IMF austerity program imposed on Greece explained “only a fraction” of the slowdown in the Greek economy.** Two of his leading Neo Keynesian colleagues have vigorously disputed this analysis:

### **Brad de Long 9July15**

This statement seems to me to be true if and only if “only a fraction” is replaced by “more than half”. ... of the 7%-points by which Greek growth fell below IMF estimates in 2010–

2011, 5%-points of that were due to the fiscal consolidation that the IMF had forecast would be imposed on Greece. ... **[that is] 4/5 of the damage to the Greek economy [was due to IMF austerity].**

<http://www.bradford-delong.com/2015/07/needed-large-greek-devaluation-or-large-scale-transfers-to-greece-with-bonus-godwins-law-violation.html>

**Paul Krugman 10July15**

Olivier Blanchard offers a defense of the IMF's role in the Greek crisis. Basically, he argues that given the political realities, there was no alternative to requiring that Greece move into primary budget surplus, whatever the cost. This is surely true. But how big was the cost? I'm with Brad DeLong in being highly puzzled by [Blanchard's] assertion ... **Greece appears to have suffered a slump overwhelmingly because of the austerity**; surely there's no grounds for dismissing this impact as a mere fraction of the problem. ... What this tells us is that the Greek program was infeasible from the start.

<http://krugman.blogs.nytimes.com/2015/07/10/austerity-and-the-greek-depression/>

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### **Eurozone's greatest problem: New Statesman Interview 13July**

*HL: What is the greatest problem with the general way the Eurogroup functions?*

**Varoufakis:** ... **So what we have is a non-existent group that has the greatest power to determine the lives of Europeans.** It's not answerable to anyone, given it doesn't exist in law; no minutes are kept; and it's confidential. So no citizen ever knows what is said within. ... These are decisions of almost life and death, and no member has to answer to anybody.

*HL: And is that group controlled by German attitudes?*

**Varoufakis:** Oh completely and utterly. Not attitudes – by the finance minister of Germany. It is all like a very well-tuned orchestra and he is the director. Everything happens in tune. There will be times when the orchestra is out of tune, but he convenes and puts it back in line.

<http://www.newstatesman.com/world-affairs/2015/07/yanis-varoufakis-full-transcript-our-battle-save-greece>

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### **IMF Draft Report says Greek debt not sustainable: 2July15**

Just three days before the referendum and despite opposition from the eurogroup, the IMF released a preliminary analysis stating that Greek debt was not sustainable. From the Summary:

“At the last review in May 2014, Greece’s public debt was assessed to be getting back on a path toward sustainability, though it remained highly vulnerable to shocks ... But significant changes in policies since then ... coming on top of the very high existing debt, render the debt dynamics unsustainable.”

<http://www.imf.org/external/pubs/cat/longres.aspx?sk=43044.0>

Greek Prime Minister Alexi Tsipras welcomed the IMF’s intervention saying in a TV interview that what the IMF said was never put to him during negotiations.

"Yesterday an event of major political importance happened," Tsipras said. **"The IMF published a report on Greece's economy which is a great vindication for the Greek government as it confirms the obvious—that Greek debt is not sustainable."**

Urging a no vote on Sunday he said: “Voting no to a solution that isn’t viable doesn’t mean saying no to Europe. It means demanding a solution that’s realistic. Either you give in to ultimatums or you opt for democracy. The Greek people can’t be bled dry any longer.”

<http://www.theguardian.com/business/2015/jul/02/imf-greece-needs-extra-50bn-euros>

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## **Grexit never an option 13July15**

Two leading New Keynesian economists, Paul Krugman and John Quiggin (in his blog), have both said they assumed the Syriza government had prepared an exit plan if negotiations went as badly as expected. Here is how CNN reported Krugman 19July:

"Amazingly, they thought they could simply demand better terms without having any backup plan. So certainly this is a shock ... it’s hopeless in any case ... the new terms are even worse, but the terms they were being offered before were still not going to work. I may have overestimated the competence of the Greek government”.

<http://cnnpressroom.blogs.cnn.com/2015/07/19/paul-krugman-i-may-have-overestimated-the-competence-of-the-greek-government/>

John Quiggin blog: <http://johnquiggin.com/>

## **Grexit? New Statesman interview 13July15**

*HL: You must have been thinking about a Grexit from day one... have preparations been made?*

**Varoufakis: The answer is yes and no. We had a small group, a ‘war cabinet’ within the ministry, of about five people that were doing this: so we worked out in theory, on paper, everything that had to be done [to prepare for/in the event of a Grexit].** But it’s one thing to do that at the level of 4-5 people, it’s quite another to prepare the country for it. ... I’m not sure we would manage it, because managing the collapse of a monetary union takes a great deal of expertise, and I’m not sure we have it here in Greece without the help of

outsiders. ... To prepare the country an executive decision had to be taken, and that decision was never taken.

**Varoufakis:** My view was, we should be very careful not to activate it. ... But I also believed that at the moment the Eurogroup shut out banks down, we should energise this process [his plan B]. ... I never believed we should go straight to a new currency. My view was – and I put this to the government – that if they dared shut our banks down, which I considered to be an aggressive move of incredible potency, we should respond aggressively but without crossing the point of no return.

<http://www.newstatesman.com/world-affairs/2015/07/yanis-varoufakis-full-transcript-our-battle-save-greece>

### **Lateline interview 23July15**

Varoufakis: **The eurozone was very badly constructed and a badly-constructed monetary union is terrible for everyone in it, especially for the flimsier economies. But once you're in a monetary union, getting out is absolutely catastrophic.** Let me put it in a graphic way. The path that you follow to enter the monetary union, once you enter it, disappears, disintegrates. It's like a bridge that you cross and once you've crossed it, it collapses. So, reversing your path, getting out of that monetary union, however ill-designed it might've been, is not a good idea.

<http://www.abc.net.au/lateline/content/2015/s4279807.htm>

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### **Secret IMF report leaked 14July15**

The July 10 report was delivered to the finance ministers of euro area member states on July 11, 2015. From the summary:

Greece's public debt has become highly unsustainable. This is due to the easing of policies during the last year, with the recent deterioration in the domestic macroeconomic and financial environment because of the closure of the banking system adding significantly to the adverse dynamics. The financing need through end-2018 is now estimated at Euro 85 billion and debt is expected to peak at close to 200 percent of GDP in the next two years, provided that there is an early agreement on a program. Greece's debt can now only be made sustainable through debt relief measures that go far beyond what Europe has been willing to consider so far.

<http://www.imf.org/external/pubs/ft/scr/2015/cr15186.pdf>

### **Paul Krugman blog 15July15**

Everyone is talking about the IMF's new update to its debt sustainability analysis, which says that Greece's attempt to surrender is doomed to failure without massive debt relief. That's surely the right conclusion. However, it's hard to accept the document's claim that this is a new development, the result of the banking crisis of the past two weeks plus the economic

troubles since Syriza came to power. ... no economic analysis I know of says that a few months of misgovernment permanently damage a country's growth prospects.

The point, surely, is that the plan for Greece was never feasible. No matter how willing a nation is to suffer, no matter how willing to run primary surpluses on a scale that is very rare in history, **trying to pay off high debt through austerity without any kind of monetary offset is basically a recipe for debt deflation and failure.** This is, in fact, what the IMF's own research has said. So it's good to see the IMF being realistic here, but the institution remains unwilling to face up fully to past errors.

<http://krugman.blogs.nytimes.com/2015/07/15/an-unsustainable-position/>

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### **Most Greeks still prefer to stay in Eurozone. WSJ 23July15**

Most Greeks want to be rid of austerity but think Greece should stay in the euro. It isn't just that people don't trust PM Alexis Tsipras to govern well without external constraints; it is that they are doubtful of any Greek government having the wherewithal to manage their affairs competently. This desire for an external anchor isn't limited to Greece. **For decades, Italians, among others, were happy to have important aspects of their government outsourced to Brussels in the belief that their affairs would be handled more impartially and more competently there.** While Brussels' reputation has been eroded by poor management of the euro crisis, for many it is still regarded more highly than their own national political classes. That appears to be explanation for the continuing popularity of Mr Tsipras, even though his government's handling of the crisis seems to have done little but bring further economic hardship and capital controls.

<http://www.wsj.com/articles/greeks-economists-part-ways-on-benefits-of-eurozone-1437683087>

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### **IMF wants Greek debt commitment. Wall Street Journal 23July15**

**IMF officials have repeatedly said that Greece's debt needs to be restructured to ensure the country isn't suffocated by its debt repayments.** "On the debt relief, there would need to be a specific, concrete commitment," Gerry Rice, the IMF's top spokesman, said Thursday 22 July. Eurozone officials have said that they are open to considering some limited relief for Greece but haven't given any definitive pledges, insisting instead that Athens first roll out its promised economic policies. Officials are targeting a mid-August deadline to conclude negotiations for a third bailout program. Greece's next payment of €3.2 b to the ECB is due 20 August.

<http://www.wsj.com/articles/greeces-creditors-welcome-passage-of-new-austerity-measures-1437651563>

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## **Lagarde Showdown With Merkel. 23July15**

The eurozone's three-year bailout of up to €86 billion (AU\$129 billion) assumes financing from the IMF and is conditional on Greece seeking a new loan program from the IMF once the current one expires in March. The Washington-based IMF, which requires borrowers to have sustainable debt, has made clear it won't ask its 187 other member nations to approve a deal until euro-area states significantly ease terms on existing loans.

In 2010, the IMF bent its rules by lending to Greece even though staff questioned whether the country's debt was sustainable. At the time, fund officials were worried about the financial contagion a Greek default would unleash.

"There will come a time in the next three months that there will be a tense moment between the IMF and Germany," said Stephen Jen, a former IMF economist. "They are basically telling the Germans there has to be a debt realignment before they would participate."

17 billion euros is still available under the IMF's 2012 Greek bailout.

<http://www.bloomberg.com/news/articles/2015-07-23/lagarde-push-for-greece-debt-relief-sets-up-showdown-with-merkel>

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## **Greece to fall deeper into recession this year. 23July15**

A third bailout deal won't prevent Greece plunging into a deep recession this year. Leading Greek thinktank IOBE fears the economy will shrink by between 2% and 2.5% in 2015, wiping out last year's modest growth of 0.7%.

<http://www.theguardian.com/business/live/2015/jul/23/business-live-greece-mps-reforms-tsipras-bailout-live>

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## **Privatisation fire sale 25July15**

**When Syriza swept to power in January, one of its first actions was to sack the people in charge of Greece's privatisation agency and cancel plans to sell Greece's electricity transmission operator (ADMIE).** The sale of other assets – most notably regional airports and the port of Piraeus – had almost been completed, but was thrown into doubt. The government is expected to put up little resistance to the sales now being concluded.

### **Up for sale**

- Helliniko Olympic complex
- Ports of Piraeus and Thessaloniki
- 14 regional airports
- PPC power company, including ADMIE, the electricity transmission operator

- DEPA natural gas company
- Hellenic Petroleum
- Hellenic Post
- Athens Water Supply and Sewerage Company
- Xenia Hotels in Rhodes
- Marinas of Chios, Pylos and other locations

Source: Hellenic Republic Asset Development Fund

<http://www.theguardian.com/business/2015/jul/24/greek-debt-crisis-great-greece-fire-sale>

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## **Varoufakis reveals more details of his 'Plan B'**

*Ambrose Evans-Pritchard, Telegraph 26 July 15*

Transcripts of a 16 July telephone call between Yanis Varoufakis and a group of investors in London have been leaked to the Greek newspaper *Kathimerini*. The call took place a week after Varoufakis stepped down as finance minister. The transcripts reveal that a five-man team under Varoufakis' control had been working for months on a contingency plan to create euro liquidity if the European Central Bank cut off emergency funding to the Greek financial system, as it in fact did after talks broke down and Syriza called a referendum. **The plan involved hacking into the finance ministry's software, then under the control of the troika.**

"The context of all this is that they want to present me as a rogue finance minister, and have me indicted for treason. It is all part of an attempt to annul the first five months of this government and put it in the dustbin of history," he said. "It totally distorts my purpose for wanting parallel liquidity. I have always been completely against dismantling the euro because we never know what dark forces that might unleash in Europe," he said.

**"The prime minister, before we won the election in January, had given me the green light to come up with a Plan B.** And I assembled a very able team, a small team as it had to be because that had to be kept completely under wraps for obvious reasons. ... This was very well developed. Very soon we could have extended it, using apps on smartphones, and it could become a functioning parallel system. Of course this would be euro denominated but at the drop of a hat it could be converted to a new drachma.

"I always told Tsipras that it not be plain sailing but this is the price you have to pay for liberty. But when the time came he realised that it was just too difficult. I don't know when he reached that decision. I only learned explicitly on the night of the referendum, and that is why I offered to resign. I think the Greek people had authorised us to pursue energetically and vigorously that negotiation to the point of saying that if we can't have a viable agreement, then we should consider getting out.

"... Schäuble believes that the eurozone is not sustainable as it is. He believes there has to be some fiscal transfers, some degree of political union. He believes that for that political union to work without federation, without the legitimacy that a properly elected federal parliament can render, can bestow upon an executive, it will have to be done in a very disciplinary way.... And he said explicitly to me that a Grexit is going to equip him with sufficient

terrorising power in order to impose upon the French that which Paris has been resisting: a degree of transfer of budget making powers from Paris to Brussels."

"... Everybody knows the International Monetary Fund does not want to take part in a new programme but Schäuble is insisting that it does as a condition for new loans. I have a strong suspicion that there will be no deal on August 20.... Schäuble will then say it is yet another failure. He is just stringing us along. he has not given up his plan to push Greece out of the euro," Varoufakis said.

<http://www.telegraph.co.uk/finance/economics/11764018/Varoufakis-reveals-cloak-and-dagger-Plan-B-for-Greece-awaits-treason-charges.html>

*Also reported in the New York Times:*

<http://www.nytimes.com/2015/07/28/business/greece-debt-varoufakis-recording.html>

### **Paul Krugman blog 27July15:**

**People are apparently shocked, shocked to learn that Greece did indeed have plans to introduce a parallel currency if necessary. I mean, really: it would have been shocking if there weren't contingency plans.** Preparing for something you know might happen doesn't show that you want it to happen. Someday, maybe, we'll know what kind of contingency plans the United States has had over the years. **Plans to invade Canada?** Probably. Plans to declare martial law in the event of a white supremacist uprising? Maybe.

The issue now becomes whether Tsipras was right to decide not to invoke this plan in the face of what amounted to extortion from the creditors. **I think he called it wrong, but God knows it was an awesome responsibility** — and we may never know who was right.

<http://krugman.blogs.nytimes.com/2015/07/27/contingency-plans/>

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### **Referendum Night**

**(from interview with Christos Tsiolkas 3Aug15 The Monthly)**

"Let me just describe the moment after the announcement of the result," he begins. "I made a statement in the Ministry of Finance and then I proceeded to the prime minister's offices, the Maximos [also the official residency of the Greek prime minister], to meet with Aleksis Tsipras and the rest of the ministry. **I was elated. That resounding no, unexpected, it was like a ray of light that pierced a very deep, thick darkness.** I was walking to the offices, buoyed and lighthearted, carrying with me that incredible energy of the people outside. They had overcome fear, and with their overcoming of fear it was like I was floating on air. But the moment I entered the Maximos this whole sensation simply vanished. It was also an electric atmosphere in there, but a negatively charged one. **It was like the leadership had been left behind by the people.** And the sensation I got was one of terror: What do we do now?"

**And Tsipras' reaction?** Varoufakis' words are measured. He insists his affection and respect for the beleaguered Greek prime minister are undiminished. But sadness and disappointment are evident in his reply.

“I could tell he was dispirited. It was a major victory, one that I believe he actually savoured, deep down, but one he couldn’t handle. He knew that the cabinet couldn’t handle it. It was clear that there were elements in the government putting pressure on him. Already, within hours, he had been pressured by major figures in the government, effectively to turn the no into a yes, to capitulate.”

Out of loyalty to Tsipras, and to honour a promise he made, Varoufakis won’t name names. But he does tell me that there were powerbrokers within the fragile coalition government “who were counting on the referendum as an exit strategy, not as a fighting strategy”.

**“When I realised that, I put to him that he had a very clear choice: to use the 61.5% no vote as an energising force, or [to] capitulate. And I said to him, before he had a chance to answer, ‘If you do the latter, I will clear out. I will resign if you choose the strategy of giving in. I will not undermine you, but I will steal into the night.’”**

Though Varoufakis is circumspect, he makes clear that exiting the eurozone was something that he Tsipras and their like-minded colleagues in the coalition would not countenance.

“We always thought that the European project, despite all its flaws ... would be an opportunity for Europeans to get together, that maybe there would be an opportunity to subvert the original intentions and turn it into a kind of united states of Europe. And within that, to agitate for left-wing progressive politics. This was our mindset, how we were nurtured from a very young age.”

This mindset goes a long way to making sense of the compromised decision Syriza has made since the referendum. It was not being disingenuous in its commitment to Europe, for all the scaremongering in the mainstream European media. But for Varoufakis, honouring that pledge could not be conditional on accepting the suffocating terms of the proposed debt relief, the continuing social devastation being legitimised in the name of austerity.

**“Tsipras looked at me and said, ‘You realise that they will never give an agreement to you and me. They want to be rid of us.’**

“And then he told me the truth, that there were other members of the government pushing him into the direction of capitulation. He was clearly depressed.

“I answered him, ‘You do the best with the choice that you’ve made, one that I disagree with wholeheartedly, but I am not here to undermine you.’

“So then I went home. It was 4.30 in the morning. I was distraught – not personally, I don’t give a damn about moving out of the ministry; it was actually a great relief. I had to sit down between 4.30 and 9 in the morning and script the precise wording of my resignation because I wanted on one hand that it was supportive of Aleksis and not undermining him but on the other hand [to] make clear why I was leaving, that I was not abandoning ship. The ship itself had abandoned the course.”

I ask Varoufakis if there were members within the Eurogroup, the 19 finance ministers of the eurozone, who were agitating for a Greek exit. His answer is swift and blunt.

“Not the Eurogroup. **The German finance minister, Wolfgang Schäuble. ... I called it the Schäuble plan. He has been planning a Greek exit as part of his plan for reconstructing the eurozone. This is no theory. The reason why I am saying it is because he told me so.**”

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## **Triangle of Sin** (from interview with Christos Tsiolkas 3Aug15 The Monthly)

But for all of Europe’s mistakes, there remain the noxious deficiencies of the Greek state itself. **Many of us who supported Syriza hoped that the new government would begin dismantling the corrupt systems of patronage, whole-scale tax evasion and public-sector venality.** In his writing, Varoufakis has referred to it as a “kleptocracy”, a state of thievery. What were the obstacles in confronting the kleptocracy?

“Huge! **We had to confront an unholy alliance of vested interest and oligarchic practices, what I call the triangle of sin within Greece.** Firstly, the banks, the bankrupt banks that are kept alive by the Greek taxpayers but without the Greek taxpayers having any say in the running of [them]. Secondly, the mass media, particularly the electronic media and the press, which were fully bankrupt. But they were controlled by the banks, which used bailout money to bolster the newspaper and electronic media to make sure the media is doing their dirty work in the form of propaganda. And thirdly, procurement, public-sector procurement. To give you an example, a motorway in Greece ... cost, in the past, three times as much per kilometre compared to a motorway in Germany or France. It was not that people worked less hard or that the private companies were less efficient; they were plenty efficient. If you want to know why it cost so much, you just have to look at northern Athens and examine the villas in which the owners of these companies live.”

Varoufakis continues. “On top of that, we had the Troika, which was in cahoots with this triangle.”

Is Varoufakis arguing that the Troika was hypocritical in its dealings with the Greek government over the past five years? That the new Tsipras government was held to a different standard than that applied to the coalitions led by Pasok or New Democracy?

**“The Troika did challenge the previous governments of Pasok and New Democracy. They did that plenty of times.** But not once did they threaten to switch off liquidity to them because the governments had failed to sufficiently tax the oligarchs, or because [they] had failed to tax the television channels, or failed to catch the big fat tax cheats with bank accounts in Switzerland. **The Troika would only threaten to withdraw its liquidity if the lowest of the low of pensions were not cut, if the minimum wage was not cut.** It only threatened those previous governments if they dared give a little bit of money to the poorest of Greeks.”

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## Troika class consciousness

(from Yannis interview with Christos Tsiolkas 3Aug15 The Monthly)

“The class consciousness of the Troika was mind-boggling.”

“Our state apparatus had been contaminated by the Troika, very, very badly. Let me give you an example. There is something called the Hellenic Financial Stability Facility, which is an offshoot of the European Financial Stability Facility [EFSF]. This is a fund that contained initially €50 billion – by the time I took over it was €11 billion – for the purpose of recapitalising the Greek banks. This is money that the taxpayers of Greece have borrowed for the purpose of bolstering the banks. I didn’t get to choose its CEO and I didn’t get to have any impact on the way it ran its affairs vis-à-vis the Greek banks. The Greek people who had elected me had no control on how the money they had borrowed was going to be used.

**“I discovered at some point that the law that constituted the EFSF allowed me one power, and that was to determine the salary of these people.** I realised that the salaries of these functionaries were monstrous by Greek standards. In a country with so much hunger and where the minimum wage has fallen to €520 a month, these people were making something like €18,000 a month.

**“So I decided, since I had the power, I would exercise that power.** I used a really simple rule. Pensions and salaries have fallen by an average of 40% since the beginning of the crisis. I issued a ministerial decree by which I reduced the salaries of these functionaries by 40%. Still a huge salary, still a huge salary. **You know what happened? I got a letter from the Troika, saying that my decision has been overruled as it was insufficiently explained.** So in a country in which the Troika is insisting that people on a €300-a-month pension now live on €100, they were refusing my cost-cutting exercise, my ability as a minister of finance to curtail the salaries of these people.”

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## Tsipras’ prize has been large-scale debt relief

David Marsh, MarketWatch Aug 24, 2015



<http://www.independent.co.uk/incoming/article10466588.ece/alternates/w1024/Caroon.jpg>

**Alexis Tsipras, who is likely to continue as Greek prime minister after precipitating a general election for next month, arrived in power in January attempting to resolve an**

**“impossible trinity”: relaxing the economic squeeze, rescheduling Greece’s unpayable debts, and keeping the country in the euro.**

Satisfactorily achieving all three aims appeared unachievable — and it was. Yet Tsipras appears to have achieved greater success than Angela Merkel, his main European sparring partner. The German chancellor, too, promised her electorate three unrealizable goals. However, frightened of being made a scapegoat worldwide for ejecting Greece from the euro she seems to have caved in to international pressure even more than Tsipras.

The debt rescheduling under way for Greece, partly prompted by the International Monetary Fund’s accurate labelling of Greek debts as unsustainable, appears reminiscent of the relief that West Germany gained from a “troika” of international lenders (France, the UK and the US) at the 1953 London debt conference.

At a time when global economic storm clouds are darkening, Greek voters may well thank Tsipras for shifting much of the country’s borrowings on to concessionary terms. The big question is whether, once the full generosity of Greek debt relief becomes widely known, other large-scale debtors around the world — ranging from indebted Chinese local authorities to borrowers from Italy, Portugal and Spain — will demand similar concessions from creditors.

The new €86 billion low-cost Greek bailout will probably not be fully redeemed until 2075 — a similar extension of loan repayments that was granted to West Germany in 1953, with some long-standing borrowings not repaid until 57 years later, in 2010.

Further effective Greek debt reductions will occur in the autumn as part of a deal to keep the IMF as a direct underwriter of Greek debt. Germany’s insistence on bringing in the IMF is politically expedient yet economically contradictory. Greece’s biggest creditor believes the only way to make its lending domestically palatable is to keep on board another lender (the IMF), which will do so only if Germany asks its taxpayers to shoulder fresh burdens through stretching out loan repayments and lowering interest costs.

Merkel’s promises to German voters have had a Tsipras-like quality: maintain the unity of euro members, avoid full-scale Greek debt restructuring, and keep euro economic policies in line with German-style orthodoxy. Both Merkel and Tsipras have resolved their individual “trilemmas” by attempting to keep their respective electorates in the dark about the extent to which they have diluted their principles.

Both have faced party revolts: Tsipras from the splitting of far-left factions from his Syriza party, Merkel from last week’s strong vote against the bailout by members of her Christian Democrat and Christian Social Union grouping.

**Yet Tsipras is backed by 61% of the electorate, according to one poll\*, despite having to submit to creditor demands on economic restructuring.** In the elections on Sept. 20 or 27, he will achieve his strategy of consolidating his political power base against divided and disheartened traditional parties that lack both desire and capacity to return to government in the foreseeable future.

Even though he will lose some Syriza rebels to a new far-left grouping [Popular Unity], Tsipras can benefit from a possible coalition link up with two small pro-European parties —

the Panhellenic Socialist Movement and centre-left To Potami (The River). The third pro-European grouping, the centre-right New Democracy, would lead the opposition. Tsipras is masterminding the election to profit from widespread domestic acknowledgment that he has resisted the more brutish demands of his creditors, yet before tax increases and spending cuts under the new bailout take effect in October.

**As I have repeatedly written over the past six months, Greece has played a poor hand of negotiating cards with aplomb. Tsipras and Yanis Varoufakis, the former finance minister, devilishly abandoned diplomatic niceties yet gained maximum reward from European Realpolitik.** My contention has been that the single currency's most troublesome state would remain inside the euro as long as Greek nuisance value (GNV), both political and economic, was held to be lower inside the system (I) than it would be outside (O).

So far, GNV-O is still higher than GNV-I. All sorts of Greek manoeuvrings — talks with Russia, concerns about humanitarian disasters in the Mediterranean, speculation about a Greek exit bringing down the euro — have been useful ploys to keep that equation intact. Tsipras's prize has been large-scale debt relief. If other international debtors follow suit, creditors face a nightmare.

*\*Presumably reference to referendum 'No' result, 5July15*

First opinion poll since Tsipras's resignation: Syriza 28%; New Democracy 25%; Popular Unity 8%. 25Aug15

<http://www.theguardian.com/world/2015/aug/24/anti-euro-pro-drachma-party-told-form-a-government-if-you-can>

Opinion poll 24July: Syriza 33.6%; ND 17.8%; Potami 6.1%; Golden Dawn 5.3%; Pasok 3.6%; many undecided. <http://intelligent-news.com/opinions/irony-of-history-tsipras-turns-reformer>

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### **Impending vote reshuffles allegiances within country's left wing Wall St Journal, 26Aug15**

ATHENS—Greek Prime Minister Alexis Tsipras faces the growing challenge of warding off the disintegration of his Syriza party even before a September election is called officially.

Last week, 25 of Syriza's 149 members of Parliament—the party's so-called Left Platform faction, led by ex-Energy Minister Panagiotis Lafazanis—formed a new party called Popular Unity to run against Syriza in the election.

“It is a sad outcome, but not an unexpected one,” Mr Tsipras told local Alpha TV on Wednesday, in his first interview since Syriza's split. “What makes me sad is the attempt by the inner enemy to become the main enemy,” he said, adding that he was hurt that many of his ex-Syriza colleagues, who a few weeks ago feared a banking collapse, are now criticizing him.

Apart from Syriza's hard-liners, members of another faction within Syriza, the Group of 53, were considering this week whether to stand aside in the forthcoming electoral battle.

Finance Minister Euclid Tsakalotos and former government spokesman Gabriel Sakellaridis, who worked closely with Mr Tsipras in recent months, are members of this group. The Greek premier said both of them will be included in the party's electorate ballot papers.

The Group of 53, formed in mid-2014, stands ideologically between the hard-line Left Platform and Mr Tsipras's relatively pragmatic group of core backers. Many of its members have been close aides to the party leader, but some abstained during the mid-August vote on Greece's third bailout deal with the country's international creditors. Even if the group finally decides to stick with Syriza, it is expected to act as an opposition faction within the party in the future.

Analysts say the impending elections are expected to redefine Greece's left and new groups are being created.

"The one group is Syriza's pragmatic left, which keeps elements of its rhetoric, adapted to the harsh reality" of Greece's tough bailout deal, says John Dimakis, a political analyst at STR, an Athens-based communications consultancy. "There is another group [that] seems to realize the new reality, but they want to keep the ideologies with which they have been nurtured," he added.

Two MPs belonging to the group of 53 have already announced they don't want to be included on Syriza's ballot. According to officials, two others haven't made up their minds yet. Another member of the group, Syriza central committee Secretary-General Tassos Koronakis, submitted his resignation on Monday, questioning Mr Tsipras's decision to call a snap election and claiming the leader has ignored the party when taking important decisions.

Speaker of Parliament and Syriza member Zoe Konstantopoulou is expected to officially announce she is leaving the party. Mrs. Konstantopoulou, a high-profile opponent of the bailout program [has since announced she is joining Popular Unity.]

"The return to the drachma was never an option for me or Syriza, because I know well that drachma is no Left or revolutionary action," Mr Tsipras said, adding that those who think drachma is an option should say that honestly to the Greek voters.

Mr Tsipras said that if he achieves a slim majority of 151 MPs in the country's 300-seat parliament, he will still look for coalition with other parties. But he added that he won't remain prime minister if he has to cooperate with Greece's old, systemic political parties.

<http://www.wsj.com/articles/greeces-alexis-tspiras-faces-growing-challenge-of-a-disintegrating-party-1440594654>

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## **Tsipras: "I had no right to use up the four-year term"** **26Aug15**

Prime Minister Alexis Tsipras said he fought as hard as he could for a good deal with Greece's lenders and that he had to call elections because the conditions of his mandate had completely changed, in his first pre-election interview on ALPHA TV.

"I had no right to use up the four-year term considering the circumstances had completely changed," Tsipras told private broadcaster Alpha. "I have a clear conscience. I feel comfortable giving people a reason to judge me for all those things I accomplished and those I didn't," he said commenting on the upcoming elections.

Tsipras said he governed for seven months with a mandate to negotiate hard with the country's creditors and he fought as hard as he could, adding he exhausted and exceeded the limits of that mandate. He also explained that the field after July 12 was completely different and he felt proud for allowing Greeks to express their opinions on it after five years of austerity.

Commenting on last month's referendum, the premier described it as an "inspirational moment" adding that people wanted a better negotiation and not a rift with the eurozone. "The 'No' to a bad deal, I turned it into a 'Yes' to a deal which has problems, but provides potential," he explained, adding that "the 62% received by the 'No' vote in the referendum included a very small percentage of people who were against any deal and in favor of an exit from Europe."

Criticizing those who support a Grexit, the premier said the drachma is not a revolutionary or leftist choice noting it wasn't a real choice. "The battle must be given within Europe," he said.

<http://www.thetoc.gr/eng/politics/article/tsipras-i-had-no-right-to-use-up-the-four-year-term>

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### **No debt write-off Reuters, Wed Aug 26, 2015**

Tsipras has long argued Greece cannot repay all its debt and needs part of it cancelled to return to long-term economic growth after a depression, a view shared by many mainstream economists and possibly even the International Monetary Fund. But on Wednesday he appeared to change tack on debt write-offs, raising only the scenario of "an elongation of maturities and a lowering of the interest rates".

"We will have what economists call fiscal space to repay the debt. This would be the first step for us to return to the markets and regain their trust, if of course simultaneously we have managed to return to positive rates of growth," he said.

**Tsakalotos has won the trust of his fellow euro zone finance ministers despite his left-wing views.** "Euclid Tsakalotos has done a marvellous job and it's true that if he wasn't for him, we wouldn't have achieved a deal," Tsipras said.

**This warmth contrasted to his comments about his previous finance minister, Yanis Varoufakis, who became a cult figure among anti-austerity campaigners across Europe for attacking the euro zone establishment.** Tsipras recalled one session of particularly tough negotiations in June - just before he closed Greek banks for three weeks to save them

from collapse - with IMF chief Christine Lagarde, European Central Bank head Mario Draghi and European Commission President Jean-Claude Juncker.

**"Varoufakis was talking but nobody paid any attention to him. They had switched off, they didn't listen to what he was saying," said Tsipras. "He had lost his credibility."**

<http://www.reuters.com/article/2015/08/26/us-eurozone-greece-election-idUSKCN0QV1NI20150826>

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### **Tsipras vs Varoufakis The Independent 27Aug15**

The Prime Minister has criticised his former finance minister, telling Alpha TV on Wednesday that he had realised in June that “Varoufakis was talking but nobody paid any attention to him” at the height of Greece's negotiations over the latest bailout. “They had switched off, they didn't listen to what he was saying,” Mr Tsipras said. “He didn't say anything bad but he had lost his credibility among his interlocutors.”

Mr Varoufakis resigned from his post as finance minister in July, saying Mr Tsipras thought it would be better if he stood down, following pressure from European leaders.

Mr Varoufakis said Syriza had “betrayed the great majority (62 per cent) of the Greek people”. Speaking to the *Nouvel Observateur* last week, he said: “If early elections lead to a government and a party that will have received a popular mandate to implement the agreement of July 13, I obviously could not be included. I think we have betrayed the great majority (62%) of the Greek people.”

Mr Varoufakis told ABC news channel he would not be joining Popular Unity, saying he had “great sympathy” but fundamental differences with the group and considered its stance “isolationist”. Instead, he said he aimed to set up a European network aimed at restoring democracy that could eventually become a party.

“Instead of having national parties that run on a national level it will be a European network which is active on a national level,” Mr Varoufakis said. “It's not something immediate. It's something slow-burning... something that gradually grows roots across Europe.”

Elections in Greece are expected to take place on 20 September.

<http://www.independent.co.uk/news/world/europe/greece-crisis-former-finance-minister-yanis-varoufakis-will-not-stand-in-sad-election-next-month-as-syriza-kicks-out-traitors-10475045.html>

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## **Varoufakis likens Tsipras to the mythological Sisyphus** **ABC 27Aug2015**

Tsipras has accused his one-time finance minister of 'betraying the Greek people' and 'double-crossing' his comrades, while Varoufakis says the prime minister has allowed his ego to get the better of him, and had made a conscious decision to become the 'new De Gaulle or Mitterrand'.

'My job in politics is not to endear myself to any particular comrade, friend, colleague,' Varoufakis says. 'I think I have a responsibility to the people of Greece, who still look at those of us who represented that majestic no vote, to tell them what I think is happening. I don't believe that Alexis Tsipras believes that he can pull off this "austerian" memorandum of understanding kind of facade—I don't think this is an economic and political program that even he believes is viable.' **He likens Tsipras to the mythological Sisyphus, 'carrying on pushing the same rock of austerity up the hill, against the laws of economics and against very profound ethical principles'.**

<http://www.abc.net.au/radionational/programs/latenightlive/yanis-varoufakis-pushes-pan-european-network-to-fight-austerity/6728874>

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## **Schäuble's threats persuaded Tsipras to back down** **The Atlantic 27Aug15**

*Anton Muscattelli, University of Glasgow: Why was Greek Prime Minister Alexis Tsipras persuaded to accept the EU's pre-conditions around the third bailout discussions despite a decisive referendum victory for the No campaign; and is this the end of the road for the anti-austerity wing of Syriza in Greece?*

**Yanis Varoufakis: Tsipras's answer is that he was taken aback by official Europe's determination to punish Greek voters by putting into action German finance Minister Wolfgang Schäuble's plan to push Greece out of the euro zone,** re-denominate Greek bank deposits in a currency that was not even ready, and even ban the use of euros in Greece. These threats, independently of whether they were credible or not, did untold damage to the European Union's image as a community of nations and drove a wedge through the axiom of the euro zone's indivisibility.

As you probably have heard, on the night of the referendum, I disagreed with Tsipras on his assessment of the credibility of these threats and resigned as finance minister. But even if I was wrong on the issue of the credibility of the troika's threats, my great fear was, and remains, that our party, Syriza, would be torn apart by the decision to implement another self-defeating austerity program of the type that we were elected to challenge. It is now clear that my fears were justified.

<http://www.theatlantic.com/international/archive/2015/08/yanis-varoufakis-greece-eu/402580/>

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