

Conflicts Erupt Over Syriza's Contingency Planning for Greek Euro Exit

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On Sunday, the right-wing Greek daily Kathimerini released a partial transcript of a teleconference of hedge fund managers that former Greek Finance Minister Yanis Varoufakis took part in earlier this month. The teleconference call was attended by 84 people.

Varoufakis claimed that under the instruction of then-party leader, now Prime Minister Alexis Tsipras, he looked into setting up a parallel banking system based on IOUs. If necessary, it could be changed “overnight” to make payments in drachmas if Greece was forced to abandon the euro currency and restore the Greek drachma.

The instruction came from Tsipras in December, a month before the Syriza victory in the January general election.

“There is the website of the tax office where citizens go and use their tax file number and transfer monies to their tax,” he says.

“We were planning to create, surreptitiously, reserve accounts attached to every tax file number without telling anyone.

“That would have created a parallel system so while the banks were shut, thanks to the ECB's aggressive action, it would give us some breathing space ... it could have become a functioning parallel system. It would have been euro denominated but it could have been transferred to drachma at the touch of a button.”

According to his account, he recruited a childhood friend, now an IT expert, to hack into the public revenues system within the finance ministry, which is “controlled fully and directly by the troika.”

The plan was not completed, however, as

“the difficulty was to go from the five people who were planning it to the 1,000 people that would have to implement it. For that I would have to receive another authorisation, which never came.”

On Monday, Greece's right-wing TV channel Skai reported that 24 New Democracy deputies plan to question Tsipras on whether Varoufakis should face a judicial probe and parliamentary inquiry, as his actions entailed not just “political but also criminal liability.” These efforts are supported by the other main opposition parties, Pasok and To Potami (The

River).

Denying that he ever planned to engineer an exit from the eurozone, Varoufakis said Monday that his opponents were attempting to “have me indicted for treason.”

The attack on Varoufakis also extends to Syriza’s Left Platform, which belatedly made a token display of opposing Tsipras’ July 13 agreement to implement the demands of the troika, and his betrayal of the overwhelming vote opposing austerity in the July 5 referendum.

Prior to *Kathimerini*’s release of the transcript, on Friday the *Financial Times* claimed that Syriza’s Left Platform made moves to return to the drachma in the hours after Tsipras’ capitulation.

It alleged that Panayotis Lafazanis, the then-energy minister, wanted the government to take control of the reserves held by Nomismatokopeion, the Greek mint. The *FT* said under the Left Platform’s plan,

“the central bank would immediately lose its independence and be placed under government control. Its governor, Yannis Stournaras, would be arrested if, as expected, he opposed the move.”

Lafazanis denied there was any plan to arrest Stournaras and said the *FT* report was based on “lies, fantasy, fear-mongering, speculation and old-fashioned anti-communism.”

The source of the leak of Varoufakis’ comments remains unclear. However, the leak came just as representatives of the European Union, European Central Bank and International Monetary Fund began talks with Greece over the terms of a new loan deal. In this context, the issue of Varoufakis’ remarks was rapidly harnessed to escalating pressure for more austerity in Greece.

The talks began with warnings from Germany that Greece had to accept even deeper levels of austerity than what it has already signed up to. The weekend edition of *Der Spiegel* reported, “The German government regards it as obligatory that a lot of Greek citizens will lose their jobs in line with the third aid package.”

In a parliamentary answer to Germany’s Left Party, Parliamentary State Secretary Jens Spahn of the governing Christian Democratic Union listed the austerity measures that “have to be taken in the field of employment markets,” including, “mass layoffs according to the schedule and scale, which are agreed with the institutions,” that is, the troika.

Slovakia’s Finance Minister Peter Kažimír tweeted on the Varoufakis leak, “We need to make sure that such two-faced ‘games’ will be avoided when debating & drafting the third bailout package for Greece.”

None of this means that Varoufakis’ plan was any alternative to the policy of collusion with the troika’s austerity agenda that he pursued jointly with Tsipras from the outset until his resignation on July 26.

The teleconference took place on July 16. Tellingly, Varoufakis was talking to an audience of

hedge fund managers from the Official Monetary and Financial Institutions Forum at a meeting called by the former Conservative chancellor of the UK, Norman Lamont, whom Varoufakis has previously described as a close friend.

Varoufakis' remit was only to organise, behind the backs of the Greek and European working class, measures to keep the Greek financial system afloat, should Greece be forced, against its will, out of the eurozone.

On Monday, US economist James Galbraith said he had worked closely with Varoufakis while he was finance minister and,

“...at no time was the Working Group engaged in advocating exit or any policy choice. The job was strictly to study the operational issues that would arise if Greece were forced to issue scrip or if it were forced out of the euro.”

Varoufakis' scheme was never implemented because in the end Tsipras did enough, at least temporarily, to reassure Greece's creditors that he was prepared to do their bidding. If it had been made necessary, it would have been carried out as a desperate attempt to rescue Greek capitalism from disaster.

Varoufakis indicated that one of the major problems he faced in drawing up his plan was that Syriza had handed control of the main levers of Greece's economy to the troika. “The General Secretary of Public Revenues within my ministry is controlled fully and directly by the troika,” he said. “It was not under control of my ministry, of me as minister, it was controlled by Brussels.”

While media attention has centred on his planning for a parallel banking system, Varoufakis also revealed divisions between Berlin and Paris over Germany's plan for Europe-wide austerity. He stated,

“The French are terrified. They are terrified because they know that if they're going to shrink their budget deficit to the levels that Berlin demands, the Parisian government will certainly fall. There is no way that they can politically handle the kind of austerity that is demanded by Berlin.”

German Finance Minister Wolfgang Schäuble was “hell-bent” on a Greek exit from the eurozone, as it would give him “sufficient bargaining power, with sufficient terrorising power in order to impose upon the French that which Paris is resisting ... a degree of transfer of budget-making powers from Paris to Brussels”, said Varoufakis.

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