

Euro Banks versus Greek Labor

Varoufakis is Proposing Austerity on the Banking Class

By [Prof Michael Hudson](#)

Global Research, March 01, 2015

Real News Network and Counterpunch

Region: [Europe](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

Transcript of Interview by Real News Network

SHARMINI PERIES: The four-month extension secured by the Greek finance minister, Yanis Varoufakis, on Friday came with the condition that Greece provide a list of measures to quell the concerns of its international lenders, especially the German banks represented by the finance ministers in Brussels, who feared that Athens might bail on the promises to cut spending and implement austerity measures. So, on Sunday, Athens provided that list. Now joining us to discuss the tabled plan is Michael Hudson. He is a distinguished research professor of economics at the University of Missouri-Kansas City. His upcoming book is titled Killing the Host: How Financial Parasites and Debt Bondage Destroyed the Global Economy.

MICHAEL HUDSON, ECONOMICS PROF., UNIV. MISSOURI, KANSAS CITY: Thank you.

PERIES: So, Michael, these international banks represented by the finance ministers now in Brussels, when they were in crisis and we the public treasury bailed them out, they had no problem with that. Why are they now refusing to assist Greece at a time of need when in fact some politicians and even the troika is being more receptive to what Greece is saying?

HUDSON: Because what's at issue really is a class war. It's not so much Germany versus Greece, as the papers say. It's really the war of the banks against labor. And it's a continuation of Thatcherism and neoliberalism. The problem isn't simply that the troika wants Greece to balance the budget; it wants Greece to balance the budget by lowering wages and by imposing austerity on the labor force. Instead, the terms in which Varoufakis has suggested balancing the budget are to impose austerity on the financial class, on the tycoons and tax dodgers. He proposes that instead of lowering pensions for workers and retirees, instead of shrinking the domestic market, instead of pursuing a self-defeating austerity, we're going to raise two and a half billion euros from the powerful Greek tycoons. We're going to collect the back taxes they owe. We're going to crack down on illegal smuggling of oil and the other networks and on the real estate owners that have been avoiding taxes, because the Greek upper classes have become notorious for tax dodging.

Tis has infuriated the banks. It turns out the finance ministers of Europe are not all in favor of balancing the budget if it has to be balanced by taxing the rich, because the banks know that whatever taxes the rich are able to avoid ends up being paid to themselves. So now the gloves are off and the class war is back.

Originally, Varoufakis thought he was negotiating with the troika, that is, with the IMF, the European Central Bank and the Euro Council. But instead they said, no, no, you're

negotiating with the finance ministers. And the finance ministers in Europe are very much like Tim Geithner in the United States. They're lobbyists for the big banks. And the finance ministers said, how can we screw this up and make sure that we treat Greece as an object lesson, pretty much like America treated Cuba in 1960?

PERIES: Hold on for one second, Michael. Let's explain that, because Yanis Varoufakis, the finance minister of Greece, is very well-briefed and very well-positioned to negotiate all of this. Now, why did he think he was negotiating with the troika when in fact he was negotiating with the finance ministers.

HUDSON: Because officially that's who he's negotiating with. He took them at their word. And then he found out—and yesterday, James Galbraith, who went with him to Europe, published in *Fortune* a description saying, wait a minute, the finance ministers are fighting with the troika. The troika and the finance ministers are fighting among themselves over what exactly is to be done. And to really throw a monkey wrench in, the German finance minister, Schäuble, said, wait a minute, we've got to bring in the Spanish government and the Portuguese government and the Finnish government, and they've got to agree.

Well, the position of Spain is to keep its Thatcherite neoliberal party in power. If Greece ends up not going along with austerity and saving its workers, then Spain's Podemos Party is likely to win the next election and the ruling elite will be out of power. So Spain's leaders are trying to make sure that Varoufakis and the SYRIZA Party is a failure, so that it can tell the working class, "You see what happened to Greece? It got smashed, and so will you if you try to do what they do. If you try to tax the rich, if you try to take over the banks and prevent the kleptocracy, there's going to be a disaster."

So Spain and Portugal want to impose austerity on Greece. Even Ireland has chimed in and said, my God, what have we done? We have imposed austerity for a decade in order to bail out the banks. Even the IMF has criticized us for going along with Europe and bailing out the banks and imposing austerity. If SYRIZA wins in avoiding austerity in Greece, then all of our sacrifice of our population, all of the poverty that we've imposed, all of the Thatcherism that we've imposed has been needless and we didn't have to do it.

So there's a whole demonstration effect, which is why they're treating Greece almost as a symbol for labor saying, wait a minute, we don't have to impose austerity, we can collect taxes from the tax dodgers.

Remember a few years ago when Europe said, Greece owes 50 billion euros in foreign debt? Well, it turned out that the central bank had given to the Greek parties a list of tax dodger. It was called the Lagarde list (for Christine Lagarde, head of the IMF), featuring Greek tax dodgers who had Swiss bank accounts. These Swiss bank accounts added up to about 50 billion euros. So in a sense, Greece could pay off the debt that it's borrowed simply by moving against the tax dodgers.

But this would be at the expense of the Swiss banks and the other banks. So in effect the banks would be paying themselves. And they don't want to pay themselves. They want to squeeze income out of labor and let the tax dodgers and the Greek tycoons succeed in stealing from the government. So, in effect, the troika – not the troika really, as much as the finance ministers – are backing the tax dodgers and tycoons in Greece that SYRIZA is trying to move against. And the IMF is for once taking a softer position. Even President Obama has chimed in by apparently calling German Chancellor Merkel and saying, look, you can't just

push austerity beyond a point, because you're going to push them out of the euro, and you'll push them out of the euro on SYRIZA's terms, where SYRIZA can then turn to the Greek population and say, we did what we promised here. We stopped the austerity. We didn't withdraw from the euro; we were driven out as part of the class war.

PERIES: Michael, earlier you were also making an analogy between what's going on in Greece and what happened to Cuba.

HUDSON: Cuba under Castro created an alternative social system. He wanted to spread the wealth around (it was a Marxist system in his way). He wanted to get rid of the crooks around Batista who were running the country, the rich who didn't pay taxes, and he wanted a social revolution. So the American government worried that if Cuba succeeded, there was going to be a revolution all throughout Latin America. Latin Americans could realize that they can take over the American sugar companies, the American banana companies and make the rich pay the taxes and the corporations pay the taxes and the exporters pay the taxes, not simply labor. We can unionize labor, we can educate it – and if Cuba can educate labor, that would be a disaster for the neoliberal plan, because if labor's educated and has a program, it will realize that there is an alternative to Thatcherism.

This is the problem that Varoufakis wrote about in an article earlier this month in *The Guardian* on how he came out of the Marxist movement. He said, the problem that we're facing in Greece is that if we withdraw from the euro, if we're forced out, there's going to be an economic trauma. The left wing throughout Europe, as in America, doesn't really have an economic program. It has a political program, but not really an economic program. So the only alternative to SYRIZA with an economic program are the New Dawn movement and the neo-Nazis. And what Varoufakis is worried about is that he's not only contending with the European finance ministers on one front; he's also contending on the Greek front with the right-wing parties that are the nationalist parties, like Marie Le Pen in France – the parties that are saying, yes, we have an alternative: withdraw from the euro.

But it's not the kind of withdrawal and alternative that the left wing would have, because there really isn't much of a left wing in Greece, apart from the small SYRIZA party, certainly not Papandreou's socialist party, and certainly not the nominally socialist party in Spain, which is a Thatcherite party, and it's certainly not the British Labour Party, which has gone the way of Tony Blair.

So the problem is that Varoufakis has about four months to educate the Greek public in the fact that, yes, there is alternative, here's what it is. The alternative to neoliberalism doesn't have to be right-wing nationalism. There is a socialist alternative, and we're trying to work out as many arrangements we can, so if we're driven out of the euro and if the banks go under, we have a fallback plan. He can't come right out and say this is the plan right now, because it has to be made very clear that it's the finance ministers of Germany, Spain, Portugal, Ireland, and Finland that are driving Greece out, not the IMF, not the European Central Bank, and not even centrist governments.

This is a transcript of Michael Hudson's interview with Sharmini Peries on the Real News Network. Thanks to counterpunch

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