



Reason *in Revolt*

# JACOBIN



## Greece: Phase Two

Costas Lapavitsas, *Jacobin*, March 2015

**MP Costas Lapavitsas on the economic barriers ahead for Syriza and the challenges of eurozone exit.**

Much — too much — has been written in a journalistic, superficial vein about Greek Finance Minister [Yanis Varoufakis](#) and last month's negotiations with the European Union. But now that the lines have hardened and are clearer for us all to see, a new situation has opened up. The scenario of Greece leaving the eurozone ("Grexit") is more frequently and explicitly posed as the only way that Syriza's government can avoid backtracking on its campaign promises.

To discuss this question in greater depth, we spoke with Syriza Member of Parliament Costas Lapavitsas. Lapavitsas is, in many ways, the anti-Varoufakis, not only in style and personal trajectory but, more importantly, in terms of political line — he has become the figure most identified with a clear and frank break with the Syriza leadership's "good euro" policy.

Previously [based](#) at the SOAS in London, Lapavitsas is not a member of Syriza (although he was elected on the party list) and is a newcomer to parliamentary politics. However, he has been a socialist activist for most of his life and is known for his incisive and challenging theoretical work on the political economy of money, credit, and financialization (work that he commenced with [Makoto Itoh](#) while studying Japanese Marxism).

Lapavitsas has also worked with the Research on Money and Finance group in London to produce concrete analyses of the origins and trajectory of the European crisis and, most recently, published together with the German neo-Keynesian economist Heiner Flassbeck a kind of [manifesto](#) proposing a radical break from the euro.

He was interviewed for *Jacobin* by Sebastian Budgen, an editor for Verso Books who serves on the board of *Historical Materialism*. We offer thanks to Nantina Vgontzas, Félix Boggio, François Chesnais, and Bue Hansen for their comments, as well as Jonah Walters for transcribing the exchange.

For more background on Syriza, see our [January conversation](#) with Stathis Kouvelakis.

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**As somebody who has your background, what has the transition been like for you, to be thrust right into a position both of elected office as an MP and in the middle of a political storm? It must be quite a big contrast with the days of SOAS departmental meetings.**

[Laughs.] They don't come much bigger! I have two points to make on this. First of all, the actual period of election — the electoral campaign and so on — was an incredible process because really for the first time in my political life I came into contact with what we might call, in a genuine sense, the *people*, of a particular area, of Greece.

I addressed small and larger groups in villages, in towns, individually, and so on, and I found that my views — and I personally! — had a lot of resonance with these people. That was a novel experience for me because my involvement in politics has always been on the Left, which has always been limited in influence. So that's the first thing.

Now, since my election as MP the experience has been — how shall I put this? I hesitate to use the word "exciting" because it's not really excitement in many ways — thrilling and novel.

Because you find yourself sitting in the heart of political events and the political process, accumulating that experience and coming into contact with established positions and seeing how political life works at the highest level and being a part of that. For a man of my political background, that is new and unusual.

**Just to clarify, you were elected in an area of Greece where your family comes from?**

Yeah. I was elected in the area of Imathia in central Macedonia. This is where my family comes from.

**And this remains an important aspect of Greek politics?**

No question. The fact that my name was and is locally recognized played a significant part in my election in the prefecture.

**Let's start with the events that have happened since the election. More specifically on the economic side and then we'll move to the politics. I suppose the first thing we have to discuss is the question of the constitution of the government — the alliance with ANEL and the ministers who were appointed in the government, more specifically, on the one side, Varoufakis, MP Georgios Stathakis, and MP Panagiotis Lafazanis.**

**Now we have a little bit of distance from that process: how would you describe the process of the composition of the governmental alliance and the government?**

Quite traditional in many ways. It's a balancing act. It's a balancing act with regard to society at large but also to the internal dynamics of Syriza. The government, first of all, was formed in alliance with ANEL. Contrary to what was said in the international press at the time, this is not a "red-brown alliance." This was completely incorrect as a reading of the situation.

ANEL are not a soft version of [Golden Dawn](#). They're not soft fascists. That's just nonsense. ANEL are basically what we call the popular right in Greece, which is traditionally statist, skeptical of big business, and nationalistic and conservative with a small "c."

They're not natural bedfellows of a government of the radical left, obviously. However, in the circumstances, the choice was clear. Either you don't form a government at all — and you have new elections and chaos and so on — or you form a government with these people who at least have been consistently against the bailout agreement and in favor of working people and small and medium enterprises and so on.

**So you dismiss the argument that said a minority government was possible?**

That's just nonsense. In the circumstances, nothing else was feasible. The real blame lies with the [Communist Party](#), of course. Which, once again, has not measured up to the demands of history, and has chosen a line of complete opposition and complete hostility to Syriza and what it stands for, and therefore it forced Syriza to make this government with ANEL.

As things have turned out, it was not a bad thing at all because it solidified support for Syriza among the poorer sectors of society, which have traditionally looked to the conservative right, and they have suddenly lent support to the government of the radical left.

But on the composition of the government itself, this was a balancing act. The most important thing — what this really government signals — is that Syriza chose to deal with the negotiations of the last few weeks and to confront the coming period on a political line that it has put forward for years now and on the basis of which it won the election.

In other words, Syriza will attempt to lift austerity, reduce the debt — restructure or write off the debt — and change the balance of social, economic, and political forces in Greece and Europe more generally without breaking out of the monetary union and without coming into all-around conflict with the European Union. That's clearly what this government signals.

**And it's a balancing act in the sense that there are representatives both of the right of Syriza – Stathakis for example — and the left — Lafazanis — and then some figures like Varoufakis, who have no organic relationship to the party at all?**

It's a balancing act in exactly that sense that all wings of the party are represented in the way that you point out. And Varoufakis, in so far as he expresses any particular line, expresses the line that I just summed up. Namely, the stance that you can achieve these things within the confines of the euro. That's his public position, and that's what he personifies and what he stands for at the moment.

**Let's talk a little bit about Varoufakis to the extent that you can. Of course, there's been enormous media babble around Varoufakis, around his personality, his style, and so on. And there's also been some serious pieces about him, by Michael Roberts for example, called "[More Erratic than Marxist](#)."** First of all, what sort of role did Varoufakis play on the Greek left prior to the election of Syriza?

I know that there's been a lot of pieces on Varoufakis and his lifestyle and what he stands for, and I don't really want to comment on that. This is for others to do. Not now – possibly later (the impact it has had on politics and so on.)

As for whether he's a Marxist or a radical or so on, I would recommend more discerning judgement in the use of the term "Marxist," particularly by people who make a name for themselves as Marxists because they use certain words and they talk a lot about Marxism, whereas the substance of their analysis is the most pedestrian economic and politics that one can imagine. So greater restraint in calling or not calling people "Marxist," please. This is no longer university amphitheater politics — this is real, okay?

So Varoufakis himself: I've known Varoufakis for a long time as an economist, of course. I don't think you can call him a man of the Left in the sense of the radical or certainly not the revolutionary left, not in the sense that we would recognize in this country, but he is certainly a man who belongs to the left of center.

He's always been that. He's always been heterodox and critical in his economics. He's always been a man who has rejected neoclassical economics and neoclassical theory in his work. And he's always been ready to come up with policy advice which was outside the box and ready to think about alternative paths.

These are all pluses, in my book. However, when you look at his trajectory, you have to recognize that he was also an adviser to the government of [George Papandreou](#), which was the first government that introduced the bailout policies in Greece, and he remained associated with them for a significant length of time. So in that sense, I don't think you can call him a man of the Left in any systematic way.

**And Varoufakis himself explicitly located his position within a kind of Keynesian framework, and is allied with people like [James Galbraith](#) who are openly Keynesians.**

Let me come clean on this. Keynes and Keynesianism, unfortunately, remain the most powerful tools we've got, even as Marxists, for dealing with issues of policy in the here and now. The Marxist tradition is very powerful in dealing with the medium-term and longer-term questions and understanding the class dimensions and social dimensions of economics and society in general, of course. There's no comparison in these realms.

But, for dealing with policy in the here and now, unfortunately, Keynes and Keynesianism remain a very important set of ideas, concepts, and tools even for Marxists. That's the reality. Whether some people like to use the ideas and not acknowledge them as Keynesian is something I don't want to comment upon, but it happens.

So I cannot blame Varoufakis for that, for associating himself with Keynesians, because I've also associated myself with Keynesians, openly and explicitly so. If you showed me another way of doing things, I'd be delighted. But I can assure you, after many decades of working on

Marxist economic theory, that there isn't at the moment. So yes, Varoufakis has worked with Keynesians. But that isn't really, in and of itself, a damning thing.

**Of course you're making a distinction between Marxism as an analytic tool and Keynesianism as a policy tool, but they also have different objectives, and Varoufakis has said explicitly that his objective is to save capitalism from itself. You don't see that as a distinctive line of cleavage?**

Oh yes, very much! Keynes is not Marx, and Keynesianism is not Marxism. Of course there's a gulf between them, and it's pretty much as you have said. Marxism is about overturning capitalism and heading towards socialism. It has always been about that, and it will remain about that. Keynesianism is not about that. It's about improving capitalism and even rescuing it from itself. That's exactly right.

However, when it comes to issues of policy such as fiscal policy, exchange-rate policy, banking policy, and so on — issues on which the Marxist left must necessarily position itself if it is to do serious politics rather than denouncing the world from small rooms — then you will rapidly discover that, like it or not, the concepts that Keynes used, the concepts that Keynesianism has worked with, play an indispensable role in working out strategy, which remains Marxist.

That's the point I'm making. Unfortunately, there is no other way. And the sooner that Marxists realize that, the more relevant and realistic their own positions will become.

**Let's talk about the negotiations, then, which have obviously happened in several phases. I think it's fair to say — and I don't know if you agree — that there are now two spins on what happened on the negotiation front?**

**One spin, which is the dominant one both on the Marxist critical left and in the business press (except for figures like Paul Krugman and Galbraith), is that the Greeks — Varoufakis and so on — went in trying to play poker but without the right cards at their disposal, without anything ready to back up their strategy, and were basically beaten by the EU and particularly by the Germans.**

**The other spin, which comes from the pro-Varoufakis, pro-Syriza leadership media is that, actually, they played the negotiation game extremely cleverly and managed to turn the tables at least partially by putting the Germans on the defensive and by buying some breathing room that they wouldn't have had otherwise, and by legitimating a discourse about the un-payability of the debt and the inefficacy of the austerity measures and so on.**

**I don't know whether you'd agree with that characterization of the two dominant readings, and if so, where do you position your interpretation of what has happened in relation to them?**

I recognize much of what you're saying. I don't really want to position myself in regard to these two broad approaches, though without necessarily disagreeing with you. I'll tell you what I think, and then it is for readers and others to work out which side I am most sympathetic with.

My main point, and I can start with that, is that this government went into negotiations with an approach which, as I've already said, was critical to its composition, to creating it, which is that we can go into the negotiating room and we can demand and fight for significant changes, including the lifting of austerity and the writing off of debt, while remaining firmly within the confines of the monetary union.

This is the key point. This is what I have called in my own work the "good euro" approach. That, by changing politics, by winning elections, by changing the balance of political forces in Greece and in Europe, we will negotiate and we will transform the monetary union and Europe as a whole because of the political cards that we will bring to the table. That's how they went in. And their negotiating strategy was determined by that.

Now, there were elements of inexperience, which are inevitable, elements of personality, which are inevitable and to which were alluded to previously when you discussed Varoufakis and so on. These are important elements. However, the key thing was not that. The key thing was the strategy, and that needs to be understood very well, because you can get lost in arguments about poker, about bluffing, and this, that, and the other.

This government had a strategy, and it was as I laid it out just now. And it discovered reality. A reality, which is, I think, that this strategy has come to an end. It didn't work. Yes, the political balance had changed in Greece, and changed dramatically. Because it isn't just that this government had 40 percent of the vote, it also had 80 percent of popular support, as all polls were showing. But that counted for very, very little in the negotiations.

Why? Because the confines of the monetary union are what they are. They are not susceptible to this kind of argument. It's a very rigid array of institutions with an embedded ideology and approach to things. The other side wasn't going to budge just because there was a new left government in a small country.

So the Greeks went in there, they had high hopes, and they fell into the trap that those institutions had set up for them. And that trap basically meant a) a liquidity shortage and b) a financing shortage for the government. This is how the institutions translated their structural advantage in relation to the Greeks.

The Greeks had no options. They could not deal with that. Syriza could not deal with that, because it had accepted the confines of the euro. As long as you accept the confines of the Euro, you've got no effective answer. That's the reason why this in the end took the form that it took.

They tried, they strove for something different. The other side, particularly the Germans, dug their heels in. And, towards the end of the negotiations, it was a matter of days before the banks would have had to be shut down. In that situation, the Greeks basically accepted a poor compromise.

**I think there are two critical readings of the strategy of the governmental line within Syriza. One is that the euro is just simply taken as an article of faith, a principle that you cannot deviate from, either because it's just in and of itself a "good thing" or because it's legitimate within Greek society, and you can't go against dominant opinion. Either that, or it's based on an analysis that it's possible to decipher divisions within the different EU powers, that it is possible to split Mario Draghi from Wolfgang Schäuble, that it's possible to bring Matteo Renzi and François Hollande around to the Greek position, that it's possible to rely on Obama to put pressure on Merkel, and so on.**

**What I think lots of people outside Greece have trouble understanding is both the idea that they might be tied to the euro as a matter of principle, a matter of faith; or the idea, that seems very naive, that these social liberal governments — or in the case of Obama, neoliberal governments — would somehow be objective allies against the Germans and the hardliners within the European Union. What's your take on that? What's the most charitable reading of the analytical framework they're working from to write this strategy?**

My reading of the analytical framework, when I approach it as a political economist, is completely damning, and I've said that openly. I said that many years ago actually, and I think events in the last few weeks have confirmed my initial position. I believe that, as Marxists, we must commence with the political economy of the situation, not with the balance of political forces. Unfortunately, the Greek left and much of the European left does it the other way around.

## **Starts with geopolitics rather than political economy?**

Geopolitics and domestic politics. The balance of political forces, because that's what Marxism has been reduced to, unfortunately. And, when you do that, when you commence with the politics — the balance of forces domestically or internationally — it is easy to engage in flights of fancy. It is easy to begin to think that, in the end, everything is politics, and therefore you can change the balance of political forces, and anything is achievable.

Well, I'm sorry, that's not the case. And that's not Marxism. As Marxists, we believe that politics, in the end is derivative of the material reality of economic and class relations. That's a very, very profound statement by Karl Marx, so long as it is understood properly, so long as it's not mechanical. The bottom line is this statement means that not everything is possible through politics.

And that's exactly what we've just seen. Why? Because the political economy of the monetary union is paramount. Whether we like it or not, Europe and Greece exist now within the confines of a monetary union.

Unfortunately, much of the Marxist left has pretended that this is not the case or misunderstood the importance of money here. And that's not surprising, because the European left simply doesn't understand money and finance. It pretends that it does, but it doesn't.

I repeat, what is feasible and what is not ultimately is determined by the political economy of the monetary union. Within the confines of European capitalism, of course – capitalism is the defining feature. Now Syriza has just discovered that. And it's about time that it reconsidered things and it began to see how to shape politics and how to shape its political approach within those confines.

If it wants to achieve other things politically, it must change the institutional framework. There is no other way. To change that framework, you've got to go for a rupture. You've got to go for a break. You cannot reform the euro system. It's impossible to reform the monetary union. That's what became very clear.

Now, is this position tantamount to saying you cannot do anything unless you overthrow capitalism, which is what sections of the ultra-left are saying? That is clearly absurd ultra-leftism. You don't need a socialist revolution, and you don't need to overthrow capitalism at every minute of the day to do small things. Of course, we aim for the overthrow of capitalism, and of course ultimately we would like to see the socialist revolution. But that's not in the cards at the moment.

You don't need socialist revolution in Greece, and you don't need to overthrow capitalism in Greece to get rid of austerity. You don't. But you certainly need to get rid of the institutional framework of the euro. That simple position is not understood — or is not widely appreciated — within Syriza and not within the European left, and that has been a tragedy for years.

**And the reason for this is that that position is more or less the position of Antarsya, of the KKE, and that because of the domestic balance of political forces, it's not possible to concede these arguments, even on the analytical level, to these left critics?**

That is part of it. In other words, we have a long pathology on the Greek left — and, I hasten to add, the British left too, what remains of it of course — which is being completely poisonous on this level.

But there's a deeper thing here: it isn't simply the pathological factionalism and so on. What's at stake and what's at issue among the non-Syriza left is a fear of power. It masquerades and hides itself behind big words. In the case of the Communist Party, every other word is about workers' power. In Antarsya, every other sentence is about overthrowing capitalism and establishing communism. What this hides, really, is profound fear of power. A *profound* fear of power!

And they think that people don't understand this, but it's perfectly obvious that these people and these organizations are scared down to the very marrow of their bones by the prospect of responsibility and power. That's why they're taking these ultra-left positions.

There's a traditional saying in Greek that a man who doesn't want to get married keeps getting engaged. Well that's what the CP and Antarsya have been doing, unfortunately. Because they don't want to tackle the question of dealing with the situation in the here and now, they talk about revolution.

So, if you do that, you don't have to confront the question of the euro. You pretend the question of the euro is somehow either a minor question or a side question or whatever. Or you elevate things beyond: what you need is to get out of the European Union, to get out of NATO, to get out of this, that, and the other thing. In other words, you're not offering any specific answers, because you're answering everything.

**A more charitable reading might be that they are concerned about the effects of power on left governments based on historical experience. They're less afraid of power itself than the effect of power destroying the autonomy of social movements.**

I can use an English saying here: if you're scared of the fire, keep out of the kitchen. Politics is about that. It isn't about theorizing, and it isn't about lecturing in small rooms and so on.

Politics is about society as it is. And Greek society wants real answers in the here and now. Unfortunately, only Syriza began to provide that in its own way, and that's why it's where it is, and that's why the other organizations are where they are.

**There is now a four month breathing space, so-called, that has been opened up. There is a lot of uncertainty about how the various reforms that are being proposed by the government are going to be cashed out in practice, both in terms of redistributive reforms that were promised in the electoral campaign and in terms of questions like privatization, which are also red lines.**

**There are also open divisions now that everybody can see within Syriza itself, with the central committee meeting that happened over the weekend and so on. How do you see this current phase that we're in now, between now and the summer?**

This is going to be a very, very tough period for the government and for Syriza. A very tough period. Of course, that's the outcome of the compromise struck at the negotiations. Basically, the lenders and the EU have hemmed Syriza in as decisively as they could at the time. The government is going to have constant pressure to meet fiscal targets and to meet fiscal requirements.

In March, there are very heavy debt repayments, which are already creating a very major problem, because the tax system is collapsing. In April, the government will have to complete a review of the existing process, which is a delayed review of the existing program, and that's going to be a period of hell, because, obviously, the monetary institutions will be tough.

And then in May, the government will have to get itself ready for the negotiations that will come in June for a new, longer-term agreement that will somehow deal with the financing of the debt and achieve the reduction of the debt that Syriza promised to the Greek people. The time between now and June will fly past, and it will be a time of constant friction and constant struggle to avoid a crisis, or rather a period of dealing with crisis, on a daily basis.

Now in that context, the government, from my perspective, has only two real options if it is to survive and if it is to do what it was elected to do.

The first is to begin to apply its program as much as possible. It's absolutely paramount that legislation goes through the parliament that begins to show to ordinary people that we meant what we said and, even within the confines of the deal, we can deliver things, sometimes breaking out of these confines if we can.

The second thing the government must do is, of course, learn the lesson of the failed strategy that resulted in the dirty deal in February and begin to prepare for a different approach in the negotiations in June. Because if it approaches those negotiations with the same strategy, it will have the same result.

**So for you the key issues that the government can advance on would be issues of reconnecting people to electricity, perhaps revaluing the pensions, and medical care, but not issues that are already ruled out such as minimum-wage increases, rehiring fired public sector workers, or renegotiating or reversing privatization?**

We have to be careful and realistic here. The government finds itself in a tight spot, for reasons that we've discussed. Four months is a short period of time. The government is also inexperienced, and the state machinery is slow-moving and generally hostile to the new government. This arrangement isn't conducive to dramatic changes in the immediate period, certainly not by a left government.

Therefore, there has to be some prioritizing of what can and cannot be achieved in this short period of time with a view to binding popular support and demonstrating to people that we are not like the other gang. Which of the promises that were made can begin to be met in the next four months is a matter of judgement.

Certainly, legislation dealing with humanitarian crisis is paramount, and that has already been introduced. Legislation to deal with debts to the public sector, tax questions, is also very important. Legislation to deal with forbidding house foreclosures to reimburse debts to banks and so on, that's also paramount. Increasing the minimum wage, though it remains a commitment we've made, and it should be honored, might wait for four months. It's not the end of the world.

So there has to be some careful prioritizing along the lines that you've just suggested. But, if the EU and the other institutions apply pressure on us not to introduce even some of these measures that I've mentioned, we should stand firm and see them off. Because if we don't, we're finished.

**Let's talk about seeing them off then! You've published a book with Heiner Flassbeck that goes through the various steps that you see would be necessary for an alternative to the current strategy. There also are some questions I have about those steps, and people have also sent me questions. Some of the objections are pretty obvious. But presumably the most urgent step would be capital controls, which are compatible also with membership in the EU?**

I think we've got to take a step before that, and say that an alternative strategy — and a clear understanding of what is and what is not feasible and how one should approach it — is important also for the negotiations.

I firmly believe that the negotiations in February would have had a different result not only if the government had been aware of the trap but had also been prepared to take action to not fall into it. Negotiations have a very different outcome if the other side realizes that you've got an alternative in your hands and you're determined to follow it if need be.

**That you can press the nuclear button if you want to?**

That's it! That's a very important point. Because, if you tell them that you're not prepared to press the nuclear button, as you say, then obviously you weaken yourself enormously. So, that's the first point. Now, if it came to it, and Greece was forced to do it—

**As you think it will, presumably, in four months' time?**

I think it will, yes. Or I think they will find it very difficult to find a meaningful alternative.

I want to come clean, and this a good venue to do it, and say the following: the obvious solution for Greece right now, when I look at it as a political economist, the optimal solution, would be a negotiated exit. Not necessarily a contested exit, but a negotiated exit. I think

Greece would have a reasonable chance if it went into the negotiations and was prepared to fight for and accept negotiated exit. It could be for a limited period of time, if the Greek people accepted this more easily then fine.

Negotiated exit — negotiated in the sense that the other side of the bargain would be a deep debt write-off that would be the price that monetary union would have to accept — a 50 percent debt write-off. And, crucially, the exit would be protected in the sense that the European Central Bank [ECB] would see to it that the devaluation of the new currency would not be more than 20 percent and that the banks would survive.

Both of these two terms — protecting the exchange rate and protecting the banks — cost next to nothing. It's not as if the monetary union is asked to commit any moneys or to bear a significant cost for that. It would make a tremendous difference to Greece, with effectively no cost for the monetary union. The only cost to the monetary union would be the debt write-off.

In that context, I can see reasons why the monetary union would accept that, as it would put an end to the Greek problem. To me, that's an optimal solution right now because I can see the difficulties of the contested exit. However, if it comes to it, even contested exit is better than continuing with the current program.

**On the question of the negotiated exit: some people are saying that German Finance Minister Wolfgang Schäuble is in favor of this and that he's only being held back by Germany's chancellor, Angela Merkel. Whether he would accept the other side of the deal is obviously moot. What is your reading?**

Schäuble is on record, or at least Greek ministers are on record, stating that Schäuble offered an aided exit to the Greeks already back in 2011. I can see, from the perspective of the German power structure, why they might be tempted by this idea, and I can see it as an objective worth fighting for by a Greek left government, for obvious reasons.

Whether there are divisions within the German establishment on it, I don't really know, because I don't understand the details of the German political debate. But the argument can be so compelling at the general level that I can be reasonably optimistic.

If the Greek side fought for it, and indicated that they wished to accept it, I think that a compromise could be reached that would be in the interests of Greek working people as well, not just the Greek elite, because you would avoid the difficulties of the contested exit.

That is definitely worth fighting for. And I would argue that this is what the Syriza government should be gearing itself for in the coming period. But, I repeat, if that proves impossible, even contested exit is better than a continuation of the current program.

**Let's assume that it's not possible not, though. As I said, both objectively and subjectively – in terms of dealing with the panic that ensues – presumably the first step is to carry out immediate capital controls?**

Let's start the other way around again. Let's look at contested exit. If that were to happen, the first thing that would immediately take place is a default on the debt. If Greece defaulted on its debt, it would open up a process of negotiated debt restructuring. (Because default doesn't mean that the debt disappears; you're simply refusing to pay it.)

If it's not in the confines of the monetary union, it will find restructuring much easier. Much, much easier! The IMF, for instance, knows that the debt has to be restructured. The real force stopping restructuring in Greece is the European Union and the monetary union. So debt restructuring ought to become easier and more doable if Greece also, of course, exited. That's the first thing. The debt can wait. Greece will default, the debt will sit, it can wait.

The real problems then will be the immediate problems. The immediate problems will require a series of immediate actions. We know what these are from the Cypriot experience, where the EU itself imposed them. To forestall a lot of your questions, we know the EU allows for capital controls and it imposes them itself when it has to.

So the government would have to impose capital controls immediately, and it would have to impose bank controls immediately. It goes without saying. It would have to do what the EU did in the Cyprus case. Now, how long these controls will last and what form they will take will be a matter of how the situation unfolds. They will certainly last for a significant length of time. And some form of capital controls will of course remain, as they ought to.

Bank controls, assuming the situation becomes regularized in a reasonable period of time, can begin to be lifted after a few months. But these two are immediate measures, paramount measures, that will have to be done immediately.

Then there will be the issue of re-denominating everything in the new currency. That will generate a host of legal issues — we will need an army of lawyers — because the easiest way of carrying out re-denomination is essentially one-to-one.

Re-denomination will depend on the governing law of the contracts that you're looking at. If the contracts are under foreign law, it will be problematic. These contracts will have to be parked in some special accounts, and they will have to be dealt with over a period of time. Those under Greek law, by and large, will have to be re-denominated immediately. And that means, of course, deposits, bank debts, and other obligations. Whatever it is, whatever comes within the limit of power of the Greek sovereign, the Greek state, and the Greek legal system would pretty much have to be re-denominated immediately.

Re-denomination would create a problem for the banks, and bank nationalization would obviously be immediately necessary. But bank nationalization is clearly a vital step for the Greek economy right now because the private banking system, or the banking system generally, has failed. So we're not doing anything particularly shocking.

Then the state will have to intervene once it has nationalized the banks and re-denominated their balance sheets, to restructure the banks. The banks need reorganization to see which banks will remain and on what terms. That's a process that will take some time, and it will not be easy.

**And you see this nationalization as a purely top-down process, or as something that would also involve a degree of popular control?**

Absolutely with more popular control and workers' participation! The bank employee unions are very active, and they want to contribute positively to what's happening. They would have a role in running the new banks and reorganizing them, of course. It's not just a top-down thing.

But a top-down thing is necessary. We'll have to appoint a public commissioner for the banking system, we will have to change management immediately, and then begin the process of restructuring the banks to create, at long last, some healthy banks. Employment and production will increase.

The next thing would be, of course, in some ways the most difficult thing, the most awkward thing: to deal with particular markets and the impact of exit on those market. Now, there are three key markets here: energy, which means basically oil; food; and medicine.

The situation for Greece in these regards is much better than it was in 2010 because the country has pretty much countered the country's imbalance. It's more able to secure its imports than it was in 2010. But, even so, active intervention will be needed in these three areas to make sure that needs are prioritized, that people who absolutely need medicine and food and so on get it as a matter of priority.

This isn't as difficult as some people like to make out. It will not be a pleasant period, but that's not sufficient. It's not enough in and of itself to say that exit should not be countenanced. In the fullness of time, the cost of a few months of difficulty amounts to nothing. And if there is some planning, that cost can be significantly reduced.

**Concretely, we're talking about rationing, aren't we?**

Yes, we're talking about a process of rationing.

**And you're relying on the Greek bureaucracy to carry that out in an equitable and efficient manner?**

Unfortunately, we are. But you show me what the option is and I'll go for it. Not only this, but we've got four months. In those four months, we can take all sorts of action to prepare.

Let me tell you a couple of things. Greece is in the midst of a humanitarian crisis. There is already rationing in the country, except it takes place through the wallet. Large sections of the population don't get enough to eat, those who rely on handouts and on so-called social groceries — in other words, places where food is available at very low prices and so on.

Yes, these are rationing mechanisms, which are already in existence. And dealing with the humanitarian crisis right now would create even more capacity in this regard. We are already putting in place mechanisms that could deal with these problems of supply shortage. So that should not be as difficult as it would have been back in 2010.

**And presumably you'd have to have some important degrees of popular control to avoid clientelism and corruption?**

As always. And that's what Syriza could and should do. That's what a left government could and should do. That's what it's for.

Also, on medicines, Greece exports medicines. It has a significant capacity to produce medicines. The problem is not as serious as people make out. And on energy it's got a large capacity to produce electricity. It's pretty much close to self-sufficiency. The shortages will be for transport, and there rationing will be necessary. Rationing is what we are living through at the moment, except that it's rationing through the wallet. A lot of people don't use their cars because they can't afford it. Things are not going to change for large numbers of people in this regard.

**How crucial to this process is the forging of alternative alliances with countries like Russia, Venezuela, China, Iran?**

Absolutely critical. And there is reason to expect good responses from these powers. If Greece is brought to that pass—

**With strings, generally.**

Well, everything is strings in life! If Greece is brought to that pass by its so called partners in the EU, then Greece should explore all options freely and without constraint. If it can save its people and its society by these kinds of alliances and deals, it should do them.

I want to say one more thing in this regard, not so much about the geopolitics as about the internal politics. One of the key characteristics of the austerity policy applied to Greece and to other countries during the last four or five years has been the atomization and individualization of society.

These policies contain within them very strong class elements and very strong atomistic elements. And the attitude that they instill in people, and the kind of approach that they embed in society is "every man for himself, and the devil take the hindmost." Society has to operate in spite of itself to generate solidarity, which it has done, but it has to go against the dominant current which is inspired by these policies.

Exit along the lines that I've mentioned will, I think, create the opposite result. It will create the outlook of the lifeboat. An outlook of togetherness, social cohesion, and social solidarity to see that society gets through the difficulties. That is, of course, assuming that the exit is managed and operated by a left government that openly wishes to implement exit in the interests of working people and the poor in general.

If that is the case, I think that the outlook that will prevail will be vastly different from what we've seen so far, and that will be an outlook that will potentially help in the longer term transformation of society, which is of course what we're after. Exit in and of itself is not really what the Left is after. We think that exit is a necessary but insufficient step in social transformation.

**One of the reasons I think people are skeptical about the exit strategy is because the precedents that are cited are not always very encouraging, on a political level at least. Argentina is one precedent cited on the question of default and revaluation. Not very encouraging in terms of its political results and any kind of social transformation. The Cypriot solution hasn't been a progressive one; it has been an emergency measure that was taken and led to the Right taking power. And obviously there are a whole series of other historical examples that are less than positive.**

**What for you is the crucial feature — beyond questions of will and subjective questions — of making sure that an exit has progressive rather than regressive and straightforwardly reactionary consequences?**

That's a very good question obviously, and that was an issue from the very beginning of this crisis back in 2010. Because exit can take place in different ways.

I hasten to add that in the case of Argentina (though by no means would I suggest that Argentina is a shining beacon for the Left), it is much-maligned and much-misunderstood. What was obtained in that country after default and exit was vastly better than what held before and vastly better than what would have happened had the country continued along the same path, for working people. Let us stress that: for *working people*. If you look at it in terms of employment and in terms of income, there's just no comparison.

So yes, I would not say that Greece needs to repeat what Argentina did, of course. But let's not fall for the ideological claptrap that the Right and the lenders have maintained about Argentina for many years.

Now the crucial thing here for me, though, for progressive exits, would be the determination of the government to involve the people, as it were, the *grassroots*, at every step. This didn't happen in Argentina. The default just happened because the ruling elite lost control. And then it was chaos for a period.

The key thing here is that, for us, if it is to go in the direction that I wish it to and that the Left should wish it to go, it should involve the people at all levels. It should inform them. It should give them options. It should ask for popular validation of whatever happens. And it should ask for popular action.

Because the only strength of a left government is that. Nothing else. It is not technical expertise, though we've got some of that. It is popular support. So that's what I would like to see. That's what would guarantee, I think, exit in a progressive, transitional direction. Unfortunately there hasn't been very much of that recently.

**Jacobin** recently published a [piece](#) by Nantina Vgontzas about exit and about rupture, and she puts this in the analytical framework of, there being a section of Greek capital that is not footloose and fancy-free — she talks about airways, real estate, and so on — that could be, in some way, disciplined by a Syriza government into more productive activities. So there's the idea that Syriza could play a kind of interventionist role in relation to a section of capital. Obviously, there is a section of capital that will want to just scamper, but there's also a section of capital that can't or won't.

Her question is: has this been discussed at all? And what does the Left Platform in particular say about Syriza's relationship to investors within Greece? And what are your own thoughts about it? How could they intervene on the question of disciplining capital and trying to get it to invest in more productive activities?

In general, I'm not against a strategy that says a left government should also have its options open for disciplining private capital and forcing it to deliver an investment strategy and a growth strategy that would be consistent with higher employment and higher growth and higher incomes and that. And there's nothing in Marxism or in basic economics that's against that. Certainly not as a transitional period. Marxism has never been about producing every last button and every last piece of string through some kind of state enterprise. So I'm not against that.

I am very skeptical, though, about this in the context of Greece right now. Not so much for growth but because the needs of the Greek economy are far more immediate than that. These are medium-term questions. These are questions that one should knuckle down and begin to confront once the problem of debt, fiscal pressure, and the monetary union have been resolved.

When we begin to put on the table a medium-term development strategy for the country, yes, then I can see the import of this kind of approach. And I will be perfectly happy to discuss it in the context of a national development plan. But before the immediate issues are resolved, these seem like exercises which are interesting but don't offer immediate answers.

**But you think it's feasible, that there's a section of Greek capital that wouldn't be panicked by Greek exit?**

I am sure of it.

### **Including of big capital?**

Well, that needs better analysis. But I know that there will be some sections of employers and producers that wouldn't be panicked in the slightest by exit, that would confront it directly and openly. And they would want to hear what the development prospects would be from that.

**Besides the expropriation and nationalization of the banking system and the privatization of public utilities corporations, what other major firms would call for expropriation/nationalization?**

That question doesn't arise at the moment. It's a very good question. But in some ways, it falls within the confines of the previous question.

I don't think that Syriza should come out with a broad and wide nationalization program right now. What is necessary is to nationalize the banks, of course. And to make sure that energy privatizations stop, electricity in particular. That stops. And privatization of other key assets stops. To put a growth and recovery strategy in place immediately outside of the euro, and then to have a medium-term development plan.

It's in that context that we should consider which areas of the economy need to come under public control and how — because nationalization in and of itself is not the answer; we're talking about public control here, and that can take many different forms — and then which sections of the economy simply need disciplining of capital and allowing private enterprise to do its own thing.

That's a medium-term discussion, not an immediate one.

**And, presumably, you'd have the same answer to his second question, which is whether you and your friends have studied the structure of exports and imports of goods and services and the industrial policy measures directed to foreign trade that could be taken alongside the reestablishment of the drachma?**

We're certainly aware of the structure of [imports and exports](#), and I can say that the structure of imports and exports and the proportion of trade in GDP increase is indicative of the failure — the *development* failure — of Greek capitalism in the past few years.

We definitely need to reduce the weight of the service sector, that's for sure. Because Greece has given inordinate emphasis to the service sector, and it has allowed the primary and the secondary sectors to contract. Greece has deindustrialized, basically. And it has been deindustrializing for thirty years and allowing its primary sector to become inefficient and small, so we need to rebalance that.

And that also gives you an answer for trade, because the emphasis on the service sector means that Greece has become uncompetitive internationally because services are well-known for being not particularly competitive — Britain knows something about that issue! Therefore, by emphasizing the service sector, the Greek economy has produced a completely problematic balance of tradable goods to non-tradable goods.

So the medium-term strategy should aim at changing that balance. Greece needs to restrengthen the primary and secondary sectors and in that way improve its integration into the world economy by producing more tradables. How that will be done is again a matter of medium-term strategy.

**In the book with Flassbeck, you talk about a devaluation of up to 50 percent, with thus a doubling of the price of imported goods. In the absence of being able to make the medium-term plans effective in the short term, exports are going to be very complicated as well, given the state of Greek industry. So there's going to be a problem of capital.**

**Where would this capital come from, given that the financial markets presumably would only be prepared to lend under certain circumstances, and with the kinds of strings that would involve us actually circling back to the beginning?**

If the exit was agreed and protected, and given where and how unit level costs have gone in Greece — in other words the destruction of labor, which of course has to be reversed but we cannot go back to where we started because that's just not possible — then it's possible that Greece would need only 15 to 20 percent devaluation because of the rearrangement of costs. Again, I repeat: wages must rise, but even if they rise, you're not going to go back to where you were. It's just not feasible at the moment. We need a growth strategy for that.

A devaluation of 15 to 20 percent right now might be sufficient to get the country going rapidly. If there was a devaluation of 50 percent in the case of contested exit and so on, there would be more problems for imports, of course. What you've got to appreciate, though, is this: devaluation would not work simply, or mostly, through exports. It would work through the domestic market, more than exports.

At the moment, there are vast unused resources in Greece. Capital is not short in that regard. Capital has far more than cash in the bank. We have to think as Marxists here. Capital is a relation. There are vast unused resources across the country! Small and medium enterprises will come to life immediately if there was a devaluation. There is enough small-scale capital to do that. The revival of the economy, the return of demand and production, will be very rapid, and it will take place primarily through that.

This is the equivalent of a kind of [New Economic Policy](#) [NEP] of Lenin and the Bolsheviks. I have — and econometric studies I've seen confirm it — little doubt that small and medium enterprises will allow a return of Greece to a reasonable productive state within a very short period of time, a couple of years. That would also generate the capital and the savings for the medium term strategy.

So these questions of where would the capital come from have to be examined dynamically and not looked at statically. There is capital in the country, but it's sitting idle at the moment. We must mobilize it, and that's what devaluation will do.

### **Hold the front page! Lapavitsas is calling for a Bukharanite transition strategy!**

I have no problem with that at all. Greece is so ruined at the moment that it manifestly needs a NEP. Now if [Bukharin](#) was clever enough to think of NEP and to persuade Lenin, who was

an avid supporter of NEP, then I see don't why I should be against it. So the first impact would be along those lines, I think. And that would generate enough of a revival to allow us to go beyond.

**You also talk about — within the context of an agreed exit — a return to the European monetary system, which would guarantee a certain exchange rate between the currencies and the euro and thus avoid speculation on the drachma. But this obviously relies on a big wager, namely that the other European powers would see this with a positive eye. Isn't that quite a big leap of faith?**

Like I said, one has to make assumptions to analyze things. I wouldn't call it a leap of faith. I'd say that these might be negotiating aims that are worth fighting for. I recognize the difficulties, and we have witnessed the hostility of these powers towards the left government in the last few weeks, so I know they will not be easy to achieve. But at long last, the European left might also begin to have an input in this. And it is this that is worth discussing, because the system as a whole doesn't work in Europe.

So what I would expect, what would make significant difference, would be some serious proposals at long last from the European left about how to replace this ridiculous system that has prevailed in Europe with a system of controlled exchange rates. That would indeed make a big difference to Greece and to Spain, which is coming up towards the end of the year.

Instead of arguing about political changes and lifting austerity within the monetary union and other things like that, which are simply not doable, the Left would do well to begin to propose policies that would really help in terms of controlling exchange rates within a system of controlling capital flows. That is what is needed in Europe right now, not some kind of fairy stories about a good monetary union, which cannot exist.

**In the book, you also talk about re-denomination of enterprises, banks, Central Bank, and households. And you talk about using a ratio between euro and the drachma that would vary according to different sectors, degrees of indebtedness, and degrees of wealth, so that could become also a redistributive measure, not just a technical measure. Can you talk a bit about how that would work and its feasibility and what sorts of experiences you're basing that notion on?**

To certain extent that was done in Argentina in 2001–2.

**In a chaotic way, though.**

In a chaotic way, yes. But it's perfectly feasible. It's very simple. Claims on the banks by the public, whether they are deposits of individuals or deposits of enterprises or deposits of savings or so on, would have to be converted into the new currency. The conversion could take place 1 to 1 for simplicity, for ease of re-denomination. But it could also take place at differential rates.

The aim of the government was to bring about some redistribution of wealth. So people with less money in the bank, lower deposits, could have their money changed at a beneficial rate of, say, not 1 to 1 but 1 to 1.2. People with greater amounts of money could have their deposits changed at 0.8 to 1. Effectively, you would be transferring money from the rich to the poor.

The problem is, what would have been quite effective back in 2010, when deposits were still quite high in Greek banks, has now become marginal, because the rich have taken their money out. The policies of the last five years have allowed them to get away with it.

So the room for redistributive policy, although not nonexistent, is not what it used to be. To a certain extent, the left government can think of this and can apply it if it wishes to mobilize some support, but, as I say, given the state of deposits in Greek banks now, the room for those sort of redistributive policies isn't very great.

**In the book, again, you talk about the role of the euro as a world money, a form of world money. How would you see that being affected by Grexit?**

It would be damaged. That's the real problem from the perspective of those who run the monetary union, and that's also a concern for the US. There isn't a simple contest between the US and Europe, which is what simplistic Marxist readings often argue. It's a symbiotic relationship, of conflict but also of mutual support.

The role of the euro would be damaged if that happened, there would be a loss of confidence in it, possibly some flight away from it, accompanied by financial instability, the backwash of which would affect the United States — the dollar — and dollar financial contracts. And that is something the United States doesn't wish to see.

From the perspective of the Left, this is not a concern. It's not our job to rescue either the euro or the dollar as world money. There are other people who are fully engaged in that. We have a different objective.

**The question of money and currency is crucial. In Greece, the fear of leaving the euro is holding back more radical developments. And fear of a future outside the pound was arguably a reason for the Scottish "no" in the referendum. So, for the Left within Syriza, any Plan B will have to include a concrete and convincing plan for a new currency.**

**What do you think of the *Financial Times'* [Wolfgang Münchau](#)'s proposal of introducing a parallel currency, a government-issued debt instrument that can be used for certain purposes within the euro? He refers to the writing of Robert Parento and John Cochran, both US economists who proposed that the Greek state should issue tax anticipation notes — IOUs backed by future tax revenue.**

**These would function as a mechanism of change and be trusted to the extent that the state accepts them as tax-payments and encourages their circulation by giving tax credits on payment-tax in state-issued IOUs. Do you agree with Münchau that this could be a possible end to austerity while staying within the euro?**

But I also argued in that book for similar thing, which is the issuing of IOUs by the state that would have compulsory circulation and would be able to pay taxes, which is basically that idea. It's an idea that has emerged in different formats in many different parts of the world.

I do not think that this, however, could be a long-term answer for austerity. This is wishful thinking. At most, it can be a supplementary measure to create liquidity while Greece will be under pressure from those who control the taps of main liquidity — in other words, Mr Draghi and the ECB.

A step like that, parallel circulation, would create immediately problems of equivalence between the real euro and the arbitrary euro created by Greece, because of course the real euro would be considered to have more value than the other and there will be an exchange rate between the two. That would be disruptive of monetary circulation and money generally. This is not a sustainable arrangement. It's only a stopgap measure. And, at the end of the line, it's a stopgap towards the exit, basically. It needs to be understood as such.

So yes, I'm in favor of it — in fact, that's something that the government should consider seriously as part of its armory for the June negotiations. But be under no illusions that this could be a permanent, stable solution. Because it cannot.

**A more tactical question: it looks like the troika's going to have the right to veto any particular policy Syriza puts into practice in the next period. Do you think this can be used to strengthen Syriza? Namely, that if Syriza proposes something popular and seemingly feasible, which is then shot down by the institutions, a line of antagonism will be clearer to the Greek people at every turn?**

**And demonstrating that Syriza's will, its increase in popularity, and also the incapacity to continue to act within the eurozone — can it be in some paradoxical way a strategy for building popular support for Grexit?**

I think that it is pretty much along those lines, yes. Those so-called institutions who will be there all the time, will be exercising a controlling influence. They'll be fighting Syriza about the implementation of measures and passing of legislation that might have fiscal implications and go against the spirit of what was agreed on on the twentieth of February.

But the fight against those institutions is the most important political fight from now until June. Syriza should engage in that openly. That's the way to maintain popular support, because people want to see that. They want to see measures of relief, and they want to see opposition to these troika types. However, in and of itself, that is not enough. A plan is also necessary for the next round of negotiations because the trap is there and waiting.

**A question then about forced exit and its consequences: the Plan B that you describe in some detail with Flassbeck seems quite statist. Would it be enough to withstand the shock of devaluation and autarchy?**

**If not, what are the Greek movements and Syriza doing to develop what we can call a Plan C — a plan of resilience, of commons, of solidarity, that would organize social reproduction where the state cannot satisfy people's needs? What role would such strategies play in fending off the temptations of authoritarianism?**

That is part of Plan B. That is very much part of Plan B. Plan B — the way we're talking about it, the way I've talked about it and Flassbeck and so on — is obviously a plan that happens and should happen at the level of high politics in the first instance, because that's where the crisis is. And we need intervention at the level of high politics and the level of state.

Of course, any kind of strategy that is in the interests of working people — any kind of transitional strategy — must incorporate precisely what you called Plan C. And when we talk about the public and the state and so on, what I've got in mind is the collective and the public sector generally. The idea of the state taking everything over is an old-fashioned idea that died a death with the collapse of the Eastern Bloc. That's not really in the cards anymore.

What we're talking about is public and collective solutions. Yes indeed we need the commons. Yes indeed we need activity from below. Yes indeed we need contributions and actions by the communities. But first we've got to sort the macro questions out, sort the state questions out. Unfortunately communities cannot do it at that level.

**A lot of what you're saying about a positive, progressive exit presumably relies on the role of popular mobilizations in pushing the government forward and giving it the necessary support when it comes to the crunch. You're optimistic about the resilience of social mobilization in Greece at the moment? Because there's been a lot of talk about the falling off and the despair and resignation that's affected Greek society in the last couple of years.**

I take heart in the very strong wave of support for the government among ordinary people since the election. We haven't seen very much mobilization; it's true. But support is enormous. The spirit of being in favor of what's happening and allying and facilitating this government to take action is enormous. And that's the most positive thing.

Now, will that translate into activity? I don't know. No one knows that. But there is no denying the good will. No denying it at all. And we should work on that. We should mobilize that for radical solutions and radical answers.

**And what do you think the role is of people outside Greece who are in favor of such a progressive exit? Because there's been a lot of quasi-blackmail talk about how one shouldn't criticize what Syriza is doing, that it's all very easy to criticize from the**

**comfort of one's armchair in countries that are not on the edge of a precipice, and so on and so forth.**

**But, at the same time, it's clear that there are big shifts going on that need to be taken account of. What do you think is the right kind of position between uncritical support and positive solidarity?**

Uncritical support for Syriza right now is nonsense. It is a repeat of the worst diseases of the Left that I and many others thought had been left behind. "Don't criticize, support, rah rah rah!" These are things that the Left used to do in the bad old days. And that, in very different contexts of course, is what allowed monsters to emerge.

That's not what's going to happen in the case of Syriza, of course, but the outlook and the attitude of "our team is in the field! Let's support our team and not be critical" is not really an outlook and an attitude of the Left. Of course we support. But we criticize. Unless we criticize, nothing positive will happen. That's the point that we're at.

The Left abroad and the Left outside has a job and an obligation to criticize, and often, because things in Greece look clearer from abroad than they do domestically. The spin that can be applied domestically cannot be applied abroad, so there is an obligation abroad. The Left abroad has an obligation to call a spade a spade. And to do so positively and creatively.

On that front, the most serious and positive help that that the Left can give, other than mobilizing and so on, is to begin to table proposals, to begin to reconsider the European Monetary Union as a whole. I cannot repeat that enough times.

The Left in Europe over the last few years has gone on an incredible trip. It is as if it has lost its critical senses. It has imagined that the process of European integration through the EU and the process of forming the European Monetary Union [EMU] is somehow internationalism in the way in which we on the Left understand internationalism.

It's not. Sorry, but it is not! And not only is it not, it cannot be turned into genuine internationalism by changing some small part of it, reforming it, improving it. That is just nonsense! The left must rediscover its critical facilities and critical attitude and realize that not everything that transcends borders is progressive. In this case the EU and the EMU have shown very clearly what they are.

The Left at long last must begin to table ideas about genuine internationalism in Europe that reject these forms of capitalist integration. Not improve them. Reject them. That's the real radical outlook for the Left, and that is what it should do.

There's one more thing. I'll say it, but I don't know how much impact it will have. The Marxist left in particular, over the last couple of decades, has unfortunately regressed in terms of its ability to analyze the political economy of modern capitalism. It has imbibed and absorbed a kind of second-rate economics that basically thinks and believes that Marxism and the Marxist analysis of capitalism pretty much can be condensed into the tendency of the rate of profit to fall.

For many people in Europe and elsewhere, Marxist political economy pretty much amounts to interpreting everything in terms of the proportion of profits — or what you measure as profits — in relation to GDP. That ratio, for some of these people, tells you everything you need to know about the past, present, and the future of capitalism.

That's not Karl Marx, of course, and that's not what the great Marxists did. There are people who today try to interpret what is happening in Europe according to the tendency of the rate of profit to fall. That's nonsense. Manifest nonsense. It doesn't serve any interests or any purposes. It doesn't help anyone.

Greece is not in a crisis because of the tendency of the rate of profit to fall. The tendency of the rate of profit to fall is important, but what is happening in Greece is *not* a periodic crisis caused by falling profit rates.

So the left — what remains of it — should begin to rediscover some of the elements of creative Marxism of the classical period: some of Lenin, some of [Hilferding](#), some of Bukharin, some of the great German Marxists. And begin to interpret modern capitalism in a complex, rich, and balanced way.

The tendency of the rate of profit to fall is important, but it is terrible economics and a fetish. You cannot condense everything to the tendency of the rate of profit to fall. That's just bad Marxism and bad economics. That is something that the Left could usefully begin to do to exit the eurozone crisis in the coming period.

**One last question for you which kind of circles back to the personal issues we started with. Your reputation is founded on the Marxist analysis of money and credit. And here you are in a situation where you're having to concretely debate the creation of a new currency, a new monetary system, new credit systems.**

I have two questions, really. One is kind of pedantic question: isn't, in a sense, the turn towards economic policy a theoretical victory of neo-Chartalism, which you've combatted yourself in theory, but, in practice, isn't that what is being confirmed?

And the second question — more about the connection between theory and practice — is what kind of preparation and practical use is your work on financialization, on money, and on credit giving you now in the current situation in Greece?

The first question is in some ways easier to answer. Neo-Chartalism has got very little to do with what's happening. We're not talking about state money being created other than as IOUs to deal with the immediate needs of liquidity as we discussed previously. So-called modern monetary theory, this kind of neo-chartalism, is weak monetary theory; it has very little to offer to the understanding of the eurozone and modern capitalism generally.

The second question, I think, is much more difficult to deal with and more demanding in many ways. I understand what's happening in Europe as an instance of financialization which took a particular form in Europe because of the common currency. It took a particularly pathological and diseased form, because of the common currency. Financialization of European countries was warped because of the common currency. Now, my own work over many years has actually been very helpful to me, and I think the results are fairly obvious over the course of the last few years.

If we approach the crisis of the eurozone purely as a monetary thing, from the perspective of monetary theory, it would take you five minutes to resolve it. It is perfect obvious, perfectly simple. It's actually almost trivial. As a monetary theory problem, it's trivial. And in fact, it didn't take me longer than a weekend back in 2010, when I first began to deal with the numbers, for it to become obvious.

It's a matter of a monetary union that is badly structured and that has evolved very badly in the course of its own lifetime and therefore is unsustainable. And that, to someone who is trained in monetary theory, and who understands money and finance, would be clearer and easier to see than to others who have worked in other areas of economics and of political economy.

My work has been beneficial to me in that regard. And when the crisis burst out in 2010, it was clear to me that, given the monetary system, a) austerity was the most likely outcome, and that would have been disastrous, which we argued, I and the Research on Monetary and Finance people argued, and b) exit would remain on the table permanently because of the structure of the monetary union. That is still what is happening. Five years on, exit is still what we're talking about. And c) the idea of a good euro is laughable, as indeed it has turned out to be. So in that sense, my own work in the past of many years has stood me in good stead.

There's one more part that's important, of the work that I've done over the years. This has to do with money as a broader social category. The non-economic social dimension of money

and finance, which, as you know yourself, has always been something that concerns me profoundly. This crisis demonstrates beyond dispute that money is much more than an economic phenomenon. Fundamentally, of course, it is an economic phenomenon. But it's much more than that. It has a lot of social dimensions and one dimension it has, which is critical, is that of identity.

Money, for reasons that are not for this moment but which I develop in my work, is associated with beliefs, customs, outlook, ideology, and identity. Money becomes identity more than capitalism. And the euro has become identity for peripheral countries in an incredible way, and nowhere more so than in Greece.

The question of exit and the fear which it generates — or the concern which it generates — among Greeks is not simply to do with the economic implications, as severe as these might be. It also has to do with identity.

People have to appreciate that for Greeks, joining the monetary union and using the same money as the rest of Western Europe was also a leap in identity. In popular consciousness, and given the history of Greece, it allowed Greeks to think that they had become "real Europeans." In a small country on the southern end of the Balkans, that had a very turbulent history, through the Ottoman period and what happened afterwards, this was a very, very important thing.

The importance of that has been manifested in the last few years. The deeper the crisis gets, the more absurd the membership in the monetary union becomes, the closer the attachment to the euro becomes among some sections of the population. And the reason is identity. People wish to maintain the contact with the idea of Europe, the idea of not being part of the Middle East, or the Near East.

### **Being white?**

Yes. That's very, very important. And it must not be underestimated. And for us, for the Left in Greece, but also for the Left in *Europe*, an alternative narrative is vital. Because the same problem of identity has also emerged in Western Europe. In a different way.

There, it is not a matter of becoming European. There it is a matter of internationalism. "Because we use this money, we've overcome all divisions. We've become real Europeans. We've transcended our old nationalist outlooks, and so on." That's nonsense, of course. But it's very powerful nonsense.

So the Left, in Greece and elsewhere, must urgently begin to develop alternative narratives of internationalism, of European-ness, of solidarity, and so on, that break from these diseased concepts and these diseased phenomena that financial capitalism has created — most prominent among which is, of course, the common currency.