

# Why did I sign the 20/2/2015 Eurogroup agreement? What is DiEM25's strategy for democratising Europe?

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**Yanis Varoufakis responds to Alexis Cukier and Patrick Surain, who challenged him on his time as Greek finance minister, the feasibility of reforming existing EU structures, and a left-wing exit from the EU. Read *'the challenge'* [here](#).**

Thank you for your article in reply to my op-ed ['The Left After Brexit'](#). Here is my response to your important questions and retorts, which I take the liberty to summarise in the following headings:

## **1. Why did I sign the 20 February 2015 agreement with the Eurogroup? Was this not a violation of DiEM25's principle of constructive disobedience?**

The mandate we received from the Greek people on 25 January 2015 was to negotiate, in good faith, an agreement with the Eurogroup that broke the vicious cycle of debt-deflation and allowed us to implement our economic program and reforms. We had no mandate to sign up to the logic and parameters of the troika's existing program, as Alexis Tsipras in the end did. And we did not have a mandate to orchestrate an early clash with the EU before we had exhausted the possibility of a viable agreement.

Upon coming to office, on 27 January 2015, there were only thirty days left to negotiate before the ECB pulled the plug from Greece's banks. Consistent with our mandate to give negotiations a chance, our task was twofold:

1. To extend the loan agreement by several months – since its expiry at the end of February would have resulted in the calling in of hundreds of billions of euros of previous loans, thus, ending of all chance of a negotiated agreement.
2. To de-couple the loan agreement from the Memorandum of Understanding (MoU) – i.e. the awful conditions the loan agreement came attached with, and which we had no right or mandate to accept (e.g. further austerity, fire sales of public assets, eradication of national sovereignty over the tax authorities etc.).

If you read the text of the 20 February Eurogroup communiqué, you will see that it satisfied both aims: The loan agreement was extended to the end of June, therefore giving us another four months to negotiate, and, importantly, it did not mention the previous MoU.

Instead, it specified that the Greek government was to submit its own list of reforms. This was a 'game changer' that Schäuble and other finance ministers opposed tooth and nail during the 20 February Eurogroup meeting: For the first time since the euro crisis hit Europe, a 'program' (i.e. bankrupt) country was invited to propose its own reform agenda, rather than being forced to accept the troika's.

My point here is that the 20 February Eurogroup agreement was entirely consistent with DiEM25's policy of 'constructive disobedience' and uniquely respectful of the mandate of the Greek electorate. The 'constructive' part was our willingness to negotiate in good faith. The 'disobedience' part pertained to my point blank refusal to accept the MoU on the 20 of February or at any point in the next four months.

In your letter you claim that it was clear from the beginning that the 20 February agreement "would inexorably lead to the capitulation of the government". While it is true that from April onwards they capitulated, you are giving Tsipras and his inner circle an excuse for capitulating that they do not deserve – the excuse that, once the 20 February agreement had been signed, their capitulation was pre-determined. It was not!

In summary: The four extra months that the 20 February Eurogroup agreement secured were crucial in two ways. First, in making it clear to the rest of the world, including the people of Greece, that our side was negotiating constructively and in good faith. Secondly, to prepare for the rupture that the troika was engineering.

The fact that the Prime Minister did not use the opportunity that the extra four months gave him, and did not allow me to proceed with the 'disobedience' part of the strategy during or at the end of that period, cannot be blamed on the 20 February agreement which gave him, us, that opportunity.

## **2. When we call for an immediate “redeployment of the existing institutions”, what do we mean? Are we in favour of the dismantling of the treaties and the current institutions of the European Union in order to replace them with others?**

Every campaign requires short-term strategies and long-term goals. So, to answer your question, in the short term DiEM25 proposes redeployment of existing institutions.

For instance, we shall demand that the €80 billion printed by the ECB monthly are used to buy only bonds issued by the European Investment Bank in the context of a pan-European investment-led recovery program – one where the EIB invests up to 6% of Eurozone total income into sustainable energy, R&D, education, health and general infrastructure, funded by large issues of its own bonds, that the ECB purchases whenever this is necessary to keep the interest rate at which the EIB borrows close to zero.

Here is another example of a 'redeployed' institution: The European System of Central Banks has an account, called Target2, in which interest accumulate paid by the central banks of the deficit countries in proportion to their liabilities toward the central banks of the surplus countries. These monies are then redistributed to the finance ministries of the surplus countries – i.e. from the suffering periphery to the core. The EU Council can agree to ask the ECB that, instead of distributing these monies to the German, Dutch, Austrian etc. governments, that it places them in a special account to be used to fund a food stamp program for poor families throughout Europe.

The two examples above illustrate what we mean by a redeployment of existing institutions that can be done today, without changing the Treaties. These proposals expose the callousness of Europe's 'deep' establishment. They reveal that a great deal of good can be done within the Treating and 'rules' which is not being done because the establishment is not interested in doing good, unless the beneficiaries are the ones who already have everything.

Such are DiEM25's programmatic demands for the here and now. This does not mean that we underestimate the importance of struggling for new Treaties, new 'rules' and, yes, new, progressive institutions. But first we demand that the current ones are utilised as best as it is possible (showing how this can be done) and then we proceed with the struggle for a new European institutional framework – just as we say, from the outset, in DiEM25's Manifesto.

## **3. Why did I not use the Truth Commission on Greek Debt's report in my negotiations with the troika? Why did I, in my deposition to the Commission, concentrate on the banking system?**

The answer to the second question is simple: As minister of finance I could serve the Commission no better than by to explain how the Greek public debt was created by the banking system as a by-product of the same process that led to the financial sector's implosion in 2008. It was the best way of illustrating the illegitimacy of the establishment's argument that Greece's public debt was incurred by the spendthrift people of Greece – something that [Zoe Konstantopoulou](#), who headed the Commission, thanked me for in public.

The answer to the first question is even simpler: Before and during the election, I had proclaimed that the Greek public debt cannot be paid back and, thus, will not be paid back. That its restructuring was unavoidable independently of its origin, legitimacy etc. That, as finance minister, I would not sign any deal with the creditors that did not entail substantial debt relief. Why did I need to enter into a debate with creditors on whether the debt was legitimate or illegal when my line was that it would be restructured anyway?

Put differently, we were seeking, in accordance with our mandate, a negotiated, honourable, viable solution. If it came, I would sign it. If not, I would then, and only then, repudiate the debt and use any argument available to do so – including the Commission's report.

#### **4. Why did I not organise an orderly bankruptcy process for the private banks? And why maintain Yanis Stournaras at the head of the Bank of Greece?**

Organising a bankruptcy process for the banks would entail nationalising them. Nationalising them would trigger the end of the negotiations with the troika and would have given the troika the opportunity to place the blame for the impasse on us. Similarly with the governor of the Bank of Greece, Yannis Stournaras: I had no legal right to dismiss him and would have to change the Law to do this in a manner that violated Greece's Eurozone obligations.

In other words, if you want to criticise me for not effecting Grexit during the first month of coming to office, that's fine. Effecting Grexit would necessitate all of the above: Nationalising the banks, changing the law governing the Bank of Greece, repudiating all public debt and portraying it, using the Truth Commission's Report, as odious. But, as I explained from the outset, our government did not have a mandate to turn Grexit into our objective – we had a mandate to negotiate a New Deal for Greece and, if these negotiations failed, to then be prepared to do whatever it took to secure our country's democratic sovereignty, including the acceptance – if it came to it – that Greece would be pushed out of the Eurozone.

In this sense, it was right and proper that we did not nationalise the banks at the beginning, that we did not fire Mr Stournaras at the beginning, and that we signed the 20 February agreement. What was wrong and odious was that, once the troika revealed their lack of interest in negotiating in good faith, Alexis Tsipras and his inner circle capitulated.

#### **5. When Syriza arrived in power in January 2015 and the ECB refused to grant liquidity to Greek banks, why did the government in which you were a member not devise and implement concrete monetary alternatives, whether it be the return to a national currency under democratic control or even an electronic currency (similar to Ecuador at the beginning of 2015) complementary to the Euro, managed by public authorities for the payment of goods and services of necessity as well as taxes?**

I am glad that you asked this question, even though I am surprised that you did. Have you not heard that New Democracy, PASOK, Potami and indeed some of Syriza's ministers have charged me, in public, with 'treason' for having a team working on preparing for a possible Grexit (Plan X) and for having another team to implement the issue of electronic euro-denominated liquidity (using the tax office's web interface Taxisnet)? It was, as you say, my duty to do this. And I did, the result being that Greece's systemic media are hounding me, constantly portraying me as a plotter, a usurper, a rogue finance minister etc. etc.

#### **6. Beyond the specific case of Greece, in your opinion which monetary alternatives could be used against the strategy of monetary asphyxiation that the Troika employs against any attempt to break out of the iron cage of austerity by other countries?**

The same that I had planned for Greece and which you touched upon above: Electronic euro-denominated liquidity, the digitisation of all payments and a plan for, if need be, converting both into a new currency that the ECB cannot control. Expect much more on this in DiEM35's European New Deal White Paper that we shall present during the last week of February 2017 in Paris.

#### **7. You ask: Does the DiEM25 Progressive Agenda for Europe, and the "head-on confrontation with the European establishment" that DiEM25 espouses, include debt restructuring, challenging the European Treaties, preparing for a disintegration of the Eurozone and the recreation of institutions (European, national and local) in a manner consistent with the needs of authentic democracy?**

The simple answer is: Yes to all of the above. But remember DiEM25's simple message: To pursue this Progressive Agenda for Europe, we do not need to (and we must not) turn the disintegration of the Eurozone into our *objective*. What we need to do, and must do, is put together a constructive blueprint for Europe. But also be prepared for the disintegration of the Eurozone, even of the EU, that the establishment will bring about by fighting against the implementation of our rational, reasonable and humane Progressive Agenda for Europe.