

Adults in the Room-My Battle with the European and American Deep Establishment
Yanis Varoufakis

Adults in the room

Varoufakis' introduction compares what happened between Greece and its creditors to a Greek drama or a Shakespearean play. It is a tragedy, in which the individual players are usually neither good nor evil, but trapped by their own limitations and compelled to lead the drama toward a tragic conclusion.

He names the major players: Wolfgang Schäuble, Christine Lagarde, Mario Draghi, Barack Obama, Jack Lew, Larry Summers, Bernie Sanders, Angela Merkel, and Emanuel Macron. He says that among the people he dealt with were two types: fascinating and banal. "The banal went about their business ticking boxes on sheets of instructions handed down to them by their masters. In many cases, though, their masters – politicians such as Wolfgang Schäuble and functionaries such as Christine Lagarde and Mario Draghi – were different. They had the ability to reflect on themselves and their role in the drama, and disability to enter into dialogues with themselves made them fascinatingly susceptible to the trap of self-fulfilling prophecy."

He credits Lagarde with saying they needed "adults in the room" to resolve the drama. That gave him his title.

This book ends in July, 2015. An article that appeared just as I write this review in October, 2017 confirms Varoufakis' worst fears about the deal that Europe forced on Greece. Google "Greek Debt Crisis: Why SYRIZA Continues to Lose."

** Democracy is the theory that the common people know what they want, and deserve to get it good and hard. H. L. Mencken **

The book is a chronology of Varoufakis' tenure as the finance Minister of Greece, from the election of the left-wing SYRIZA party in January 2015 through his resignation in late June after Greece proved unable to come to an adequate understanding with its European creditors. It ended when a Greek referendum on June 25, 2015, voted 62% in favor of refusing to pay the IMF, and thus exiting the euro, and Varoufakis' prime minister, Alexi Tsirpas and a majority of the cabinet refused to follow through.

Born in 1961, Varoufakis was an established economist in academia when he answered the call to join Greece's government. He had been raised and educated in England and Australia as well as Greece and was living and teaching in Austin, Texas.

Greece's economic crisis had been dragging on since 2010, with the second bailout faltering as of the time of the election. The problem was simple. After joining the European Union the government was able to borrow in euros far more than they ever could have borrowed in drachma. The country's congenitally corrupt politicians and oligarchs borrowed copiously and stole the money, leaving the common people on the hook to pay it back. They could not.

The lending institutions – the IMF, the European Central Bank, and European banks, did not want the money back. This is how they operate. They prefer to keep debtor countries such as Argentina, Brazil, Haiti and most of Africa in perpetual bondage. They make their money originating new loans and confiscating and selling assets, or having assets sold at depressed prices through privatization actions.

Not wanting their money back, these institutions refused to accept that Greece was bankrupt. They insisted that there was no solvency problem, only a liquidity problem which could be solved by injecting more money. They kept injecting money, making it increasingly impossible for Greece to ever dig its way out from under. As always, the oligarchs stole the money leaving the common man on the hook. The lending institutions, the troika of the European Central Bank, the European Commission and the IMF, insisted on austerity measures such as cutting pensions and government salaries, raising the value added tax, and cutting payrolls. This had the effect of decreasing income, leaving even less that could be taxed. It was a vicious spiral.

The book is organized chronologically, in three parts:

- (1) Winters Of Our Discontent - the election
- (2) Invincible Spring – seeming agreements with duplicitous Eurocrats
- (3) Endgame – SYRIZA's total capitulation, and Varoufakis' resignation

The first chapter starts with some philosophical musing. Varoufakis starts with a meeting with Larry Summers, who posed the question:

‘There are two kinds of politicians,’ he said: ‘insiders and outsiders. The outsiders prioritize their freedom to speak their version of the truth. The price of their freedom is that they are ignored by the insiders, who make the important decisions. The insiders, for their part, follow a sacrosanct rule: never turn against other insiders and never talk to outsiders about what insiders say or do. Their reward? Access to inside information and a chance, though no guarantee, of influencing powerful people and outcomes.’ With that Summers arrived at his question. ‘So, Yanis,’ he said, ‘which of the two are you?’

"When a large-scale crisis hits, it is tempting to attribute it to a conspiracy between the powerful. Images spring to mind of smoke-filled rooms with cunning men (and the occasional woman) plotting how to profit at the expense of the common good and the weak. These images are, however, delusions. If our sharply diminished circumstances can be blamed on a conspiracy, then it is one whose members do not even know that they are part of it. That which feels to many like a conspiracy of the powerful is simply the emergent property of any network of super black boxes.

"The keys to such power networks are exclusion and opacity. Recall the ‘Greed is great’ ethos of Wall Street and the City of London in the years before the 2008 implosion. Many decent bank employees were worried sick by what they were observing and doing. But when they got their hands on evidence or information foreshadowing terrible developments, they faced Summers’s dilemma: leak it to outsiders and become irrelevant; keep it to themselves and become complicit; or embrace their power by exchanging it for other information held by someone else in the know, resulting in an impromptu two-

person alliance that turbocharges both individuals' power within the broader network of insiders. As further sensitive information is exchanged, this two-person alliance forges links with other such alliances. The result is a network of power within other pre-existing networks, involving participants who conspire de facto without being conscious conspirators."

Enlarging on the Greek tragedy theme, Varoufakis says that the world is ordered by a series of black boxes so complex that even their creators don't understand them. The black boxes include financial instruments such as the derivatives that have been implicated in the collapse of 2008; the devices used by the central banks such as quantitative easing; the borrowing and bond issuing mechanisms used by central governments; the loan administration policies of the IMF.

The establishment, epitomized by Larry Summers, believes that ultimately the black boxes will sort things out in a reasonable way. Varoufakis believes this is not the case. He would like to open up the black boxes for examination.

So ultimately, there is no conspiracy. Or rather, the conspirators are not aware that they are involved in a conspiracy. They are each acting in their own interest, blind to the fact that they are heading toward catastrophe. Or, equally frequently uneasily aware that they are on a course to disaster, but unable to steer the ship, and aware that if they jump ship and announce the impending disaster it will have no effect. They would be sacrificing themselves for nothing.

Jack Lew advised him that he would be under attack from the powers that be in Europe. The owners of the black boxes would defend their turf. Varoufakis writes "the following chapters relate to networks' violent reaction to trade Greece's emancipation for privilege spot inside one of their black boxes."

Varoufakis tells a story of his mother and father, tough people who refused to be intimidated during the hard times of the late 40s and 50s, when they were pressured by both Communists and the right. They refused to give in. He owes his character to them.

Greece was already bankrupt in 2010. It was bailed out by €110 billion loan from the IMF, the largest in loan history. This was to be enforced by the troika – three insiders. One is from the European commission, a second from the European Central Bank, and third from the international monetary fund. These representatives were in Athens to impose measures guaranteed to reduce greases national income in place most of the burden of the debt on the weakest Greeks.

"They knew that the celebrated 'rescue' or 'bailout' package was nothing more than a one-way ticket to debtor's prison. How do I know they knew? Because they told me."

The troika presented a package. He quotes Christine Lagarde as saying "You are right, of course, Yanis. The targets that they insist on can't work. But you must understand we have put too much into this program. We cannot go back on it. Your credibility depends on accepting and working within this program."

Generalizations to take home:

Politicians are incredibly duplicitous. They would tell Varoufakis one thing in private and then absolutely change the story when they got to a public forum. They reneged on promises all the time. It seems incredible that he would continue to negotiate with people who showed such bad faith. And, in retrospect, it appears that he should not have. Instead of wasting endless nights pursuing will 'o the wisps, he should have stood firm and allowed Greece to default in the first place.

The duplicitousness of the Eurocrats in the European Central Bank and European Commission are well known. The disastrous effects of IMF loans the Americas – Argentina is the poster child – and Africa are well known. They should not be allowed to continue. However, politicians invariably pursue short-term goals, usually at odds with the long-term best interests of their people. Having money to spend in the short term is much more attractive than the long-term health of the country that they lead.

This case study of how it worked out in Greece should be required reading for any other country that is being courted by the international Monetary Fund, European Development Bank, World Bank or other international agencies, and even private banks. Very little good usually comes of it. It will usually result in significant, highly visible infrastructure projects. One that sticks in my mind is the Yacireta on the Argentine – Paraguay border. The people of neither country really wanted it, but the bankers were eager to loan the money and friends of the government were eager to bid on the construction projects. The result was a dam that nobody really needs, one which dislocated tens of thousands of people in its floodplain, one which saddled the countries with debt that they cannot repay. Perhaps the only saving grace is that Argentina did have the courage to default on its lenders.

Writing from Ukraine, I caution my acquaintances that the country should not to accept poison candy from smiling Westerners. The newspapers continually trumpet that if Ukraine enacts the right legislation, cleans up its court system and so on the IMF will do them the favor of loaning more money. No! They should clean up, true, but they should not take the money.

The oligarchs have stolen significant fractions of the IMF's loans to Ukraine. Victor Yanukovich, the most corrupt president in the country's history – and it is a tough competition – stole most of the \$4 billion that Vladimir Putin loaned to the country. Ukraine has had the courage to tell him he's not getting it back, on account of the ongoing war in the Donbass. But such loans are otherwise very hard to repudiate. If Ukraine needs money it should issue bonds in local currency to be bought by its own citizens. If the local citizens refuse to buy, the country should respect their wisdom and go about cleaning up the investment climate before getting indebted to smiling strangers with briefcases.