

‘Let’s join forces. Let’s come together. Let’s unite in a common struggle,’ to make this world a better place for our children and their children too

Institute for African Alternatives board member, former head of the University of Cape Town sociology department, poet and activist ARI SITAS, who introduced the guest speaker at the Ben Turok Memorial Lecture, shares his thoughts, impressions and observations, and his selection of stand-out quotes from the lecture.

Yanis Varoufakis presented a compelling argument around the need for a Progressive International if we are to save this shrinking planet and stop the New Cold War:

I trust, and I submit to you, that progressives in South Africa, in Europe, in India, in China, in the United States, across the world have a task. We have a task to revive the idea of a non-aligned movement struggling to create a new international economic order.

In the course of his lecture, he outlined what he called the “economic triangle” that defines our contemporary life chances. The three “aspects” or sides of this triangle are: firstly, property rights; the second aspect comprises investment and industrial policy, strategy and practice; and the third side is austerity.

“Austerity is ... an utterly mad, sad and bad policy that has never worked and can never work.” Yet, the powers-that-be in the world economy persist with it from Rishi Sunak’s Britain to the “salvaging” of Sri Lanka through an austerity “rescue” plan.

Austerity, he argued, is not the result of the “stupidity” of the policy teams in multilateral institutions “as they know exactly what they are doing”. It is a fiscal class war against the ‘many’ in the interests of the ‘few’..

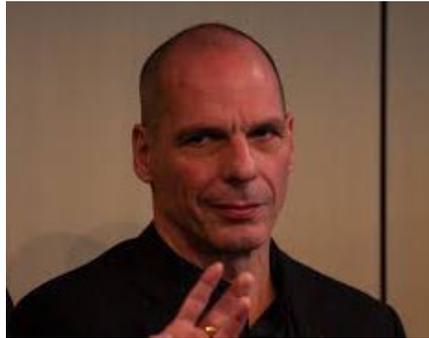
That is a weapon by which the very, very few, the transnational oligarchy across borders can get their hands on public and private assets that are lucrative and have a long-term capacity to produce rents for that privileged oligarchy.

He used Greece’s experience as a major example: “Why did they impose austerity here in Greece? Because



Ari Sitas introduces the guest speaker, Photo by Sedick van der Schyff

it was their way of destroying the commons, destroying the trade unions, destroying the solidarity between the generations of the grandfathers and the grandmothers on the one hand, and the grandchildren on the other, and succeeding in transferring every asset owned by the state to foreign multinationals and foreign funds, funds based in Delaware, in New Jersey, and the Cayman islands, that are taking over most of our cities in terms of repossessing private dwellings as well as all our airports, all our ports, all our infrastructure,



Source, Wikimedia Commons, Photos by Olaf Kosinsky

our water, even the sun in terms of solar panels that are being installed on agricultural land that has been confiscated from bankrupt farmers”.

This, he argued, is “a (new) form of colonialism ... Greece was dealing with creditors who don’t want their money back. What they want is the Greek debt to remain unpayable. In 2010 this place here, Greece, went belly up. We became utterly and irretrievably bankrupt as a state, the banking system, the private sector, the whole country. We had a budget deficit of 15% of GDP. We had a debt that could not be repaid, the interest rates that we could borrow out as a state had gone through the roof and the GDP was in freefall. The great and the good International Monetary Fund came with a template of a solution which they started developing in Africa in the 1970s. They brought the structural adjustment programmes to Greece in 2010.

“Some people, like myself, were warning them that they are going to make a bad thing worse, that this is no solution. They came, and they imposed massive austerity, the largest austerity in the history of capitalism, including Africa.”

Greece was a laboratory, in the same way that Africa was a laboratory in the 1970s and early 1980s for structural adjustment programmes. Greece was an experiment in what Varoufakis called “socialism for the bankers”. They saved the big banks and the bankers and the oligarchs with public money, while at

the same time they transferred property rights and assets to the few.

It was this combination of fiscal and monetary policy, socialism for the bankers and austerity for everyone else, that created the most profound shift in property rights from hundreds of millions of Europeans to very, very few institutional investors in Germany.

What is the fallacy then, that makes austerity for the many desirable? Varoufakis’s point is elegantly simple: “what applies to you and me as individuals, to small business, or actually any business, does not apply to the economy at large: And what ... is that? Well, that if the going gets tough you need to tighten your belt. You and I need to do so if at the end of the week our revenues or our income falls short of our expenditure. It is madness to continue spending as much as we did before because that means we’ll simply get into debt and our creditors are going to throttle us. So we need to tighten our belts.

“Parsimony at the individual level is, of course, a virtue. But when you project from the level of the individual, the firm, or the small entity to the macro economy you fall into the trap of what Keynes referred to as the fallacy of composition.”

At the macro-level, “if the state tries to do that, in the midst of a crisis, you have a recession. In that recessionary

period the state, because it is going into the red, the deficit of the government budget is increasing, which is natural in a recession because when private expenditure falls, the tax treaties of the government fall, and at the same time, maybe because there is an uptake in unemployment, for example, the government needs to pay more in unemployment benefits, health benefits, social benefits to the poor, to those who are suffering as a result of the recession, so the budget deficit increases.

“If the government tries to cut it by cutting public expenditure it will be cutting off your nose to spite your face, unlike in your [personal] situation or in my situation, where our own budget deficit requires that we cut expenditure. If the government does that, what will it be doing? What it will be doing is that during a period of shrinking, private expenditure, public expenditure will also be shrinking.”

Part of the contemporary malaise (Varoufakis said he refuses to call it neoliberalism because it is neither “new” nor “liberal”) of financialisation has to do with the collapse of the Bretton Woods system that facilitated a golden era of accumulation after the Second World War.

He asked why it was “blown up”? His answer: “because the whole system was predicated on the assumption that the United States of America would be the surplus country, the country that had a trade surplus with the rest ➤

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of the world, which meant that that surplus would allow for the dollars the United States had shared with the rest of the capitalist world to flow back into the United States, because when the Americans were selling more stuff to Europeans, Japanese, Africans than they were importing from them there was a constant stream of dollars made available to the rest of the world, flooding back into the United States. So American net exports were flooding the world and dollars were returning, being repatriated, into the United States. That was the logic of the Bretton Woods system, the logic of the golden era of capitalism in the fifties and sixties. The Bretton Woods system was reliant on the surplus to survive.”

But here is the rub: “American policymakers chose not to tighten belts. They did not do austerity! The hub of capitalism and the gurus of high-end capitalism understood that austerity was a failed policy, and they never implemented it in their own country. They did the opposite. They hit the accelerator pedal on their deficits. They increased their deficits.

“After the mid-1970s you have the net exports of Germany, of Italy, of France, of Japan, of China, of South Africa moving into the United States. At the same time 70% of the profits that the Italian, German, French, South African,



Source, Wikimedia Commons

Saudi Arabian, Korean, Japanese and later Chinese capitals were making were going also into the United States to be invested in Wall Street, and that created financialisation. When you give bankers in Wall Street a few million dollars they find ways of multiplying them. It’s called financialisation, through derivatives...through very complicated forms of debt and complicated self-referential bets about bets. This was the financialisation drive. That bubble, however, that tsunami of financialised money that was turbocharged into the stratosphere by Wall Street and the city of London crashed and burned in 2008.”

The consequence of this was two-fold: socialism for the bankers and fiscal class war on the poor on the one hand, and the rise of authoritarian and populist movements on the other.

Varoufakis elaborated on the first: “The G7, the G20 got together in London in April of 2009, and under the leadership of Gordon Brown who happened to be the UK’s Prime Minister at the time, and for the first time, and probably the last time, they managed to actually coordinate their policies. They printed something between \$15 trillion and \$25 trillion to the flow of finance,

[to] the financial institutions that had all gone bankrupt in 2007/2008.

“That’s what I call socialism for the bankers ... That’s the difference between 2008 and 1929. They were very similar crises, except in 1929 the central banks did not bail out the bankers. The bankers and the banks were allowed to go bankrupt but in 2008/2009 the bankers were saved, were bailed out along with their banks using state money.”

What disturbed the landscape though was the rise of China as the second largest economy in the world, threatening to overtake all, which animated Trump to declare an economic war against the eastern “giant”.

“Trump is not a warrior, Trump didn’t start a war, unlike Democrat or Republican presidents did before him, but he started a cold war, a commercial war with China.”

The second consequence was socio-political: “In other words, you have the popularisation of whole segments of the population of Britain, the United States who get radicalised in the wrong way because of the failures of the Left, and they start falling for racists, Trumpists, fascists. Italy now has a fascist government, as we speak. It is preposterous.



Source, Photo by Sharon Molerus

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[Greece] ... had a debt that could not be repaid, the interest rates ... had gone through the roof and the GDP was in freefall.

“As I mentioned before, the first impact of austerity in my country was the rise of a Nazi party, from nowhere. My country is now a penal colony, is a debt colony of Frankfurt, of Brussels, of Washington, DC, in a way that it never was [before], even under the Ottoman Empire.”

Varoufakis then turned to what he termed the “new Cold War”. How did it begin? “It began with Donald

Trump. We already have seen, I hope, that Donald Trump is a symptom, like Meloni in Italy, like Brexit in Britain, like the fascists, the Nazis, the golden dawn Nazis here in Greece. They are a symptom of the crisis that started in 2008 and proceeded with socialism for the bankers and austerity for everyone.”

The result, he said, was: “humiliated people, people wallowing in hopelessness watching a huge amount of money being minted on behalf of the very few, while they are subjected to the class war that is known as austerity with property rights being taken away from them, and their commons being plundered all over the world”.

That in turn led to the rise of widespread anger, “especially when we of the Left have failed to provide an internationalist agenda for change following our 1991 defeat. The Left internationally suffered a major defeat in 1991.”

He ended by stating that the task of the Progressive International

and the broadest possible Left is to immediately deal with the climate crisis: “(which) is creating a very bleak set of circumstances for our children and their kids.

“If we are going to avert catastrophe, (we have to) divert 10% of global GDP to green energy and the green transition. This new cold war and the increasing use of austerity for the purpose of shifting property rights from the many to the few globally is creating a fundamental instability and a set of obstacles for countries like South Africa, countries like Greece, countries that are losing any power to reproduce the circumstances of generating their own conditions for shared prosperity.”

Finally, his plea resonated loudly: “Let’s join forces. Let’s come together. Let’s unite in a common struggle, not just for the survival of humanity but for the chance of giving every child that will be born tomorrow in Africa, in Asia, across the world a chance for a successful life”. **NA**