

## Introduction: *Our* Athens Spring

Let me tell you why I am here with words I have borrowed from a famous old manifesto. I am here because:

A spectre is haunting Europe — the spectre of democracy. All the powers of old Europe have entered into a holy alliance to exorcise this spectre: The state-sponsored bankers and the Eurogroup, the Troika and Dr Schäuble, Spain's heirs of Franco's political legacy and the SPD's Berlin leadership, Baltic governments that subjected their populations to terrible, unnecessary recession and Greece's resurgent oligarchy.

I am here in front of you because a small nation chose to oppose this holy alliance. To look at them in the eye and say: Our liberty is not for sale. Our dignity is not for auction. If we give up liberty and dignity, as you demand that we do, Europe will lose its integrity and forfeit its soul.

I am here in front of you because nothing good happens in Europe if it does not start from France.

I am here in front of you because the Athens Spring that united Greeks and gave them back

- their smile
- their courage
- their freedom from fear
- the strength to say NO to irrationality
- NO to un-freedom
- NO to a subjugation that in the end does not benefit even Europe's strong and mighty,

...that magnificent Athens Spring, which culminated in a 62% saying a majestic NO to Un-Reason and to Misanthropy,...

...our Athens Spring, was also a chance for a Paris Spring, a Frangy Spring, a Berlin, a Madrid, a Dublin, a Helsinki, a Bratislava, a Vienna Spring.

I am here because **our** Athens Spring was crushed, just like the Prague Spring before it. Of course it was not crushed using the tanks. It was crushed using the banks. As Berthold Brecht once said, "Why send out murderers when we can employ bailiffs?" Why stage a coup d'état when you can send to a freshly elected government the President of the Eurogroup to tell the new finance minister, three days after taking office, that he faces a choice: the pre-existing Austerity Program, which resulted in his country's Great Depression, or the closure of the nation's banks? Why send troops in when you can have monthly Troika visits for the explicit purpose of taking over every branch of government and writing each and every piece of a nation's legislation?

## Elections cannot change anything

When in my first Eurogroup meeting, back in February, I suggested to finance ministers a compromise between the existing Troika Austerity Program and our newly elected government's reform agenda, Michel Sapin took the floor to agree with me – to argue eloquently in favour of common ground between the past and the future, between the Troika program and our new government's election manifesto which the Greek people had just endorsed.

Germany's finance minister immediately intervened: "Elections cannot change anything!", he said. "If every time there is an election the rules change, the Eurozone cannot function."

Taking the floor again, I replied that, given the way our Union was designed (very, very badly!), maybe Dr Schäuble had a point. But I added: "If it is true that elections cannot change anything, we should be honest to our citizens and tell them that. Maybe we should amend Europe's Treaties and insert into them a clause that suspends the democratic process in countries forced to borrow from the Troika. That suspends elections till the Troika decides they can be held again. Why should we put our people through the rituals of costly elections if elections cannot change anything? But", I asked my fellow ministers, "is this what Europe has come to colleagues? Is this what our people have signed up to?"

Come to think of it, this admission would be the best gift ever to the Communist Party of China which also believes elections are a dangerous complication getting in the way of efficient government. Of course they are wrong. As Churchill said, democracy is a terrible system. But it is the best of all alternatives, in terms of its long-term economic efficiency too.

A frozen silence followed for a few seconds in the Eurogroup. No one, not even the usually abrasive Mr Djisselbloem, could find something to say until some Eastern European colleague broke the silence with another incantation from the Troika's Austerity Book of Psalms. From the corner of my eye I could see Michel Sapin looking desolate. I was reminded of something he had said to me in Paris, when we first met at his office: "France is not what it used to be."

From a very young age I looked to France for inspiration, possibly reminiscent of the way in which Greece's re-emergence in the modern world was inspired by the French revolution, with quotations of Voltaire and Rousseau echoing in my head. At that moment, Michel's silence was difficult to bear. The sight and sound of France's impotence is a harbinger of a Europe that has lost its way.

## A very European coup

Back in the days of our 1967-1974 dictatorship, when the tanks ruled the streets of Athens, Greek democrats would come to France, travel to Germany, Austria, Sweden, Canada, Australia, to drum up support for the beleaguered Greek nation. To

galvanise solidarity with the Greek people in their struggle against fascist dictatorship.

Friends, I am **not** here today to drum up support for Greece's crushed democracy.

I am here to lend the Greek people's support and solidarity to **France's** democracy.

For this is what is at stake. French democracy. Spanish democracy. Italian democracy. Democracy throughout Europe. Greece was and unfortunately remains a laboratory where the destructive power of Self-Defeating Austerity was tried and tested. Greece was never the issue for the Troika and its minions. You are!

It is not true that our creditors are interested in getting their money back from the Greek state. Or that they want to see Greece reformed. If they were, they would have discussed seriously our proposals for restructuring Greece's public debt in a manner ensuring that they get most of it back. But they could not care less. They instead insisted on our surrender. It was the only thing they cared about. They cared uniquely about one thing: To confirm Dr Schäuble's dictum that elections cannot be allowed to change anything in Europe. That democracy ends where insolvency begins. That proud nations facing debt issues must be condemned to a debt prison within which it is impossible to produce the wealth necessary to repay their debts and get out of jail. And so it is that Europe is turning from our common home to our shared iron cage.

This is important. You read newspapers and listen to radio and television programs that bombard you with the soothing narrative that the Eurogroup, the Troika around which the Eurogroup is built, the austerity programs are all about REFORMS, all about forcing Greece's failed economy to increase its wealth so that it can pay its debts and stop imposing upon the rest of Europe.

Only this is not how Europe works in practice. If you were a fly on the wall watching our negotiations you would see as well as I saw that Ms Lagarde, Mr Draghi, Mr Juncker, certainly Dr Schäuble, were interested in one thing: In dictating to us 'terms of surrender'. Terms that put an end to the Athens Spring. Terms that wiped out the smile from those across Europe who looked at us and thought that a New Politics is possible. **Terms imposed by creditors, which, incredibly, guarantee that we, the debtor, cannot repay our debts, old, and new to them.**

### Toxic medicine

Many of you will wonder, quite rightly: But why would creditors impose on Greece conditions that reduce Greece's capacity to pay back its debt to the same creditors? Why would creditors make the Greek government do things that prevent real reforms from being implemented? Reforms that would make Greece better placed within Europe? Could it not be that the Troika is simply trying to make Greeks take a bitter but necessary medicine? And that we Greeks do not want to take our medicine? To do our homework, as Mrs Merkel might say?

These are crucial questions. They are crucial for you, for the people of France. Why? Because if we Greeks are the authors of our own problems, and if it is true that we are spoilt, lazy people who refuse to do their homework and take their bitter medicine, then you have nothing to fear. You should not waste any time listening to people like me.

**But**, if this is not so, if the medicine we are asked to take again and again is poisonous, if we have done our homework but the teacher does not even want to read it, then what is going on in places like Greece has nothing to do with Greece. It is about the politics of Europe, France in particular.

So, let me be clear on this: The medicine is **not** just bitter. It is toxic. A doctor delivering such medicine to a patient would be arrested and disbarred by the medical association. But in the Eurogroup, the fact that the medicine is killing the patient is seen as evidence that more of the same medicine is needed. That the dose has to be increased!

For five years the Troika's Austerity Program has created the longest and deepest recession in history. We lost one third of our collective income. Unemployment rose from 10% to 30% in a country where only 9% of the unemployed have ever received unemployment benefits. Poverty engulfed 2 out of our 10 million people. It was never going to be otherwise.

In 2010 the Greek state went bankrupt. Our state could not pay its debts to the French and the German banks. So, what did Europe do? It decided to give the bankrupt Greek state the largest loan in history on condition of austerity that reduced the income from which the old and the new, huge, loans would be repaid. A ten year old can tell you that the insolvent cannot escape through more loans on condition that its income must fall.

Austerity makes incomes shrink while debts grow. More debt, in the form of new bailout loans, on condition of even more income-sapping austerity, leads with mathematical precision to a catastrophe.

Everyone knew this. So, why did Europe do it? Because the objective was not to bailout Greece, or Ireland, or Portugal, or Spain! The objective was to bailout Deutsche Bank, BNP Paribas, Finanz Bank, Societe General, the German and French banks with taxpayers' money and put all the burden on the weakest of Europeans, causing a humanitarian crisis in Greece and a slow burning recession in France.

And then, when it was revealed that all this austerity in fact pushed Greece's debt up from 120% to 180% of national income, instead of reducing it, what did official Europe do? More of the same in 2012, in 2013, in 2014. Incomes continued to fall, poverty rose, unemployment reached world record territory, everyone owed money to everyone else and no one could pay. More loans to the state to be paid by the weakest of citizens was never an economic policy that was going to work. Like

Macbeth who added crime to crime, trying to hide his previous crime by committing a fresh one, so did the Troika add toxic bailout to toxic bailout, extending the crisis, deepening it, while all along pretending that it was about to be solved.

It was this misanthropic process that extinguished hope in Greece from 2010 to 2015. Last January we were elected to bring hope back. Rather than sit in the shadows and curse the darkness we decided to light a candle. To give hope and rationality another chance. And the people took notice. The little candle we lit illuminated people's faces, and not just in Greece.

From the perspective of Old Europe's Holy Alliance, that was a terrible crime for which we, and those who voted for us, would have to be punished. With another huge loan. With more self-defeating austerity that will soon bring our public debt to 205% of national income. With another Eurogroup decision condemning our people to unnecessary suffering for the heinous crime of beginning to hope and, worse still, spreading that hope to the rest of Europe.

### Common ground?

Going back to my first appearance in the Eurogroup, I must tell you I walked in there with a determination to find common ground, as Michel Sapin also did. Let me read to you extracts from my intervention with which I proposed a new partnership with the institutions and with my colleagues, the other finance ministers:

*The new partnership we propose to you should be based on realistic goals and efficient policies.*

*We, the new Greek government, must earn a very precious currency without depleting an important capital good: We must earn your trust without losing the trust of our people – of the voters amongst which we enjoy, for now, sizeable approval ratings. For such approval is an important capital good in Europe's struggle to reform Greece and to render it stable and normal.*

*In this time of change, we hear your concerns about our government's intentions. We need, clearly, to put them to rest.*

*I am here today to convey to you a clear message on the new government's program and commitments to its Eurogroup partners.*

*Greece, as a member of the Eurozone, is fully committed to find a solution jointly discussed between partners, in order to strengthen our monetary union.*

*We are committed to cooperate in good faith with all our European and international partners, on an equal footing.*

*We are committed to sound public finances. Greece has made a vast adjustment over the past five years at immense social cost. Its deficit is now below 3% in nominal*

*terms, down from 15% in 2010. We now have a primary surplus and our structural surplus, as measured by the International Monetary Fund, is the largest in the EU.*

*The new government takes this adjustment as its point of departure. We wish now to move forward, on the basis of a new mutually beneficial partnership with our European partners.*

*We are committed to deep structural reforms.*

*Our reform agenda aims at re-creating confidence among Greek citizens, growth in the economy, and credibility in Europe. It recognizes the need for deep reforms to anchor the long-term prosperity of Greece within the Eurozone.*

*We recognize that the previous adjustment program reflected commitments made by both Greece and its Eurogroup partners.*

*We recognize the tremendous efforts made by your countries' taxpayers to support Greece's debt and maintain the integrity of the euro.*

*However, unrealistic, self-defeating fiscal targets have been imposed on our country and population and hence must be revised. A primary surplus target of more than 3% of national income year-in-year-out has no historical precedent in any situation resembling that of Greece today. It will simply not be possible for our country to grow if we remain on the growth sapping austerity path imposed on our economy. It is also quite inconsistent with achieving a sustainably reduced debt-to-income ratio.*

*The new contract we propose to discuss with you should recognize this evidence.*

*The new contract will build upon reforms that are 'owned' by citizens' and domestic institutions, using many elements from the previously agreed policy agenda. This also means that the hope of shared prosperity must be revived across Europe.*

*We wish to discuss with you this home-grown agenda that reflects both our potential and specific constraints. We wish our growth to be inclusive, based on investment, and productivity gains. Growth based on further labour cost compression cannot work in Greece and has been rejected by our people.*

*Based on more realistic primary surplus targets and our home-grown, wholly owned, reform and growth agenda, the new contract we propose will restore a sustainable debt trajectory.*

*We invite the International Monetary Fund to work with us to assess Greek debt sustainability building on the government's commitments. Greece will stand ready to make concrete proposals to its partners, in due time, on a menu of innovative instruments to reduce the debt burden efficiently, including debt swaps.*

Then I concluded with these words:

*Dear Colleagues,*

*Europe is whole and indivisible, and the government of Greece considers that Greece is a permanent and inseparable member of the European Union and our monetary union.*

*Some of you, I know, were displeased by the victory of a leftwing, a radical leftwing, party. To them I have this to say: It would be a lost opportunity to see us as adversaries.*

*We are dedicated Europeanists. We care about our people deeply but we are not populists promising all things to all people. Moreover, we can carry the Greek people along an agreement that is genuinely beneficial to the average European. In us you will find trustworthy partners who do not see these meetings as a means of extracting something out of nothing, of gaining at anyone's expense.*

*I look forward to discuss with you now, in a true spirit of cooperation and partnership, and to write together this new page of our relationship.*

*I thank you very much for your attention.*

Apologies for reading out these extracts. But I wanted to give you a whiff of the spirit of cooperation with which we approached the Eurogroup. While I was reciting these lines in the Eurogroup, Brussels' 'sources' leaked that I was being rude, that I was lecturing my colleagues, that I was rejecting the Troika's 'reforms'. I did not take these leaks personally because they were not meant as a personal attack. It was part of a brutish propaganda campaign by which to justify the demonization of our government, an attempt to paint us as communistic radicals so as to prepare Europe's public for our overthrow.

For five long months, our side would table clear, sophisticated proposals

- about reforming the tax office and making it totally independent of my ministry but also of the oligarchy,
- about a debt restructure that would minimize Greece's new loans and maximize our repayments to our creditors
- about a new development bank that would utilize public assets and would go into partnership with the European Investment Bank
- about a new bad bank with which to deal with the non-performing loans of the Greek banking system, bad private debts that clogged up the circuits of credit, preventing banks from lending even to profitable, export-oriented enterprises
- about mechanisms for tackling corruption, price fixing in retail markets, undeclared labour in labour markets, pension reforms that curtailed early retirement without pushing more old people into poverty.

Every time we proposed a sensible measure or reform, we were knocked back. My French colleagues were clearly out of their depth, having depressingly little influence. Even when we agreed on some measure with Michel Sapin or Pierre Moscovici, so what? If the President of the Eurogroup so chose, our agreement would not even be heard in the Eurogroup – not of course that Mr Djisselbloem ever took these decisions on his own. When, cognisant of this, I took the matter to Dr Schäuble, Wolfgang refused to negotiate with me on anything of substance: It is the existing (failed) program or the highway, was his line. “Go to the institutions.” Which I duly did.

## Stonewalling

Except that our negotiations with the institutions, the Troika, were the most frustrating experience one can ever have. Like some annoying people who want to talk to you about everything at once, which means that you end up talking about nothing at all, the institutions insisted on a “comprehensive review” leading to a “comprehensive agreement”, which meant they wanted to talk about everything.

They would say we need all your data on the fiscal path on which Greek economy finds itself, we need all the data on state-owned enterprises, all the data on pension funds, on energy companies, on this, that and the other. To demonstrate our cooperation we went along, answered the questionnaires, held countless meetings providing the data. After a great deal of time was wasted finding facts that they already had, before we the ministers knew them, they’d ask us what we intended to do on value added tax, VAT. We would do our utmost to explain to them our sensible, moderate plans for VAT. They would listen, looking unconvinced, reject our proposal but fail to come up with a proposal of their own. And then, before pinning down an agreement on VAT, they would shift to another issue, like privatisation. They would ask what we want to do about privatisation, we would put something sensible and moderate forward, they would reject it. Then they’d move onto another topic, like pensions, from there to product markets, from there to labour relations, from labour relations to all sorts of things. So it was like a cat chasing its own tail.

Perhaps the greatest impediment to holding a sensible negotiation was the Troika’s fragmentation. The IMF was close to us on the importance of debt restructuring but insisted that we should remove any remaining protection of workers’ rights and middle class professionals, like pharmacists or engineers. The Commission were far more sympathetic to us on these social issues but forbade any talk of a debt restructure lest they upset Berlin or Frankfurt. The ECB had its own agenda. In short, each of the institutions different red lines, which meant that we were imprisoned in a grid of red lines.

Even worse, we had to deal with our creditors ‘vertical disintegration’, as the bosses of the IMF and the Commission had a different agenda to their minions or as the German and Austrian finance ministers had an agenda totally at odds to that of their Chancellors.



Meanwhile, as the days and the weeks were passing due to the determination of our creditors to delay, delay and delay, while leaking to the press at the same time that we were the ones holding the negotiations back, our government was being asphyxiated *on purpose* by the ECB. Even before we were elected the ECB had signalled that it would reduce Greek bank access to liquidity. Our opponents in the press turned this into a gigantic scare campaign, effectively inciting depositors to take their money out of the banks. There is nothing easier in the world than a Central Bank starting a bank run – the very bank run that Central Banks were created to prevent.

Days after we were elected, I dashed to London to talk to City financiers in order to calm their nerves and convince them that our government was pro-business, while also being determined to safeguard the interest of our suffering population. It worked. The next morning the Greek stock exchange rose by 12% and bank shares by 20% plus. The day after that, the ECB announced that it was to limit our banks' access to its liquidity mechanism. The stock exchange crashed again. Why would the ECB do this to our new government?

The official answer was because Greece's 'program' would expire at the end of February "raising questions about the Greek banks' collateral". In reality, the ECB was putting the squeeze on our government to stop dreaming of reigniting hope and accept the Troika's failed program as it was – possibly with a few cosmetic changes.

It is interesting to compare what the ECB did to us with what it had done in the summer of 2012 when another new government was elected and, again, the Greek 'program' was in limbo: Then, the ECB increased the banks' liquidity to huge levels in one go and increased the Greek state's credit card (or T-Bill) limit from 15 billion to 18.3 billion. In our case? In our case, the ECB increased the banks' liquidity little by little, day by day, creating fear in depositors that maybe tomorrow the limit would not be raised and the banks would run dry. Naturally the bank run got worse.

As for the government's credit card limit, instead of pushing it up from 15 billion to 18.3 billion, the ECB pushed it **down**, using an unprecedented legal trick, from 15 to 9 billion. And all this at a time when I had to find 7 billion to make payments to the IMF, payment originally meant to be made from fresh loans that were never given to us.

Their strategy was very, very simple: Delay any agreement with us, blame the delay on us and on our proposals' lack of 'credibility', until our government, the state, ran out of liquidity. Then hit us an ultimatum under threat of immediate bank closure. This was nothing but a coup.

As I said, in 1967 there were the tanks and in 2015 there were the banks. But the result is the same in the sense of having overthrown the Government or having forced it to overthrow itself – as Prime Minister Tsipras unfortunately decided to do on the night of our magnificent referendum, the night I resigned my ministry, and then again on 12<sup>th</sup> July.

## Bigger fish to fry

Going back to February, I could see the writing on the wall. I could see that the Troika was not interested in reforms that touched the oligarchy, partly because they were in a cosy relationship with the oligarchs (whose press supported to the hilt the Troika in its struggle against us) and partly because they had bigger fish to fry, France being the largest.

What could I do to make it harder for them to ignore our proposals? I did two things. I suggested to them what I thought was a decent, sensible compromise regarding the process of negotiations. I told them: let us settle on three or four important reforms that we agree upon, like the tax system, like VAT, like a system to counter corruption in procurement, and let's implement them immediately while the ECB relaxes the restrictions on our liquidity. You want a comprehensive agreement? Let's carry on negotiating to get to it – but in the meantime let us introduce these reforms in parliament by agreement.

Their answer? “No, no, no, this has to be a comprehensive review. Nothing will be implemented if you dare introduce *any* legislation. It will be considered unilateral action inimical to the process of reaching an agreement.”

So, in response, I tried something else, something that was recommended to me by a person very high up in the International Monetary Fund. Using a team of talented experts, I set out to create a 60 page *Plan for Greece's Recovery*, a Reform Agenda for Greece, a Blueprint for Ending the Greek Crisis. In that effort I enlisted the advice of non-Greek experts of note. Larry Summers, the former United States Treasury Secretary, Lord Lamont, my friend and the former British finance minister, Thomas Mayer, formerly Deutsche Bank's chief economist, my great friend Jamie Galbraith, of the University of Texas, and Mariana Mazzucato, of Sussex University. Then, Jeff Sachs, of Columbia University, who has helped put together many national reform agendas on behalf of the International Monetary Fund, helped me edit the document.

I handed over that document to other finance ministers, sent it to governments and functionaries of the institutions. Did anyone pay any attention to it? Of course not. Even my Prime Minister was too coy to submit it to other heads of government, afraid that the Troika would consider our own comprehensive document to be a challenge to its authority, to its “comprehensive review process”.

Meanwhile the Troika, various people from the Commission, from the German finance ministry and other sources of power, accelerated their leaks to the media that we were refusing to reform the country, that we were wasting time, that we had nothing credible to offer!

I urge you to look at my website where I have uploaded that document and, if you have time and energy, compare it to the ‘agreement’ that was ultimately imposed

upon Prime Minister Tsipras. A quick look will convince you that our plan, the one no one discussed, the one even the Greek government failed to publicise, would end the Greek crisis, unlike the terms of surrender dictated on 12<sup>th</sup> July, and which our Parliament passed recently, that will fuel the crisis further, with calamitous effects on the weakest of Greek citizens.

## End Game

And so it was the never-ending negotiation continued until our state's liquidity ran out completely. At the 11<sup>th</sup> hour, on 25<sup>th</sup> June, four days before the Greek banks were to be closed down by the ECB, the Troika gave us their proposed agreement. It was an ultimatum. Take it or your banks will never open their doors again.

We read their proposals. They were absolutely poisonous... totally non-viable and toxic. They wanted us to promise a ridiculous amount of fresh austerity, to increase VAT on our Aegean islands' hotels from 6% to 23%, when in Turkey it is 7%, to cut the pensions of the poorest pensioners by one third. The list of horrors they insisted upon was endless.

For months they were asphyxiating our government and economy with a simultaneous bank run and a liquidity squeeze, they were insisting that our stressed state kept repaying the Intentional Monetary Fund out its own decaying fibre, and they delayed the negotiations till we reached the edge of the cliff. And at that point they made the kind of proposal one makes when one does not want an agreement. The question is: Why would they want to do this?

Did they do it to get us to agree to reforms? Of course not. We were **desperate** to introduce reforms. When they spoke of reforms they never meant it. It is not a reform to cut the pensions of a pensioner on 300 euros per month to 200 euros per month. Our pension system reform proposals were genuine reforms – we had a plan on how to lever up public assets in order to create investments that would pay dividends that would, in turn, support the pension funds. We proposed a restructure of the pension funds and drastic restrictions on early retirement. But they were not interested.

Let me now turn to the question of debt. The point of restructuring debt is to reduce the new loans necessary for salvaging a bankrupt debtor. Creditors offer debt relief to get more value back and to extend as little new finance to the stressed entity as possible. Greece's creditors did the opposite. They refused to restructure debt and insisted that we should take on more and more of it under conditions that guaranteed it could not be paid back.

During the negotiations, I never stopped suggesting to our creditors a series of smart debt swaps that would aim at two objectives: To minimise the new loans. And to ensure that Greece qualifies for the type of ECB support that the rest of the Eurozone member-states receive daily, as the best way to stop borrowing from

European taxpayers. They rejected my proposals and have now imposed a new loan that is double the size of what was necessary.

Our proposals were not in fact rejected. This is what really matters: Our proposals were never discussed! Even though we had it on good authority that they were technically rigorous and legally sound, the political will of the Eurogroup was to ignore our proposals, to let the negotiations fail, to close our banks, and force the Greek government to surrender on everything – including a massive new loan much greater than what we proposed.

## Why?

So, back to the terrible question: Why do Greece's creditors prefer a much larger new loan package than necessary? Why did they ignore our reform proposals which they knew we could and wanted to implement? Why did they waste the great opportunity we presented them as the only government that had the support of the vast majority of the Greek people? Did they not 'get it' that we were uniquely placed to ask Greeks to take bitter, though not toxic, reformist medicine? Why did they insist that the medicine should be poisonous and not therapeutic?

There is no economic answer here. The only answer is one that resides firmly in the realm of power politics. The Troika's greatest fear was that our government might succeed. That its own superior wisdom and authority would then be questioned by you dear friends, by the people of Europe. The Troika does not mind Greece as a permanently festering wound. The German finance minister is not even that concerned about getting German taxpayers' money back.

Those who run the show in Europe are prepared to pour a lot more of their taxpayers' money into a bottomless Greek pit, while the people of Greece suffer, if this the only way they can perpetuate their control over their own people.

- Debt is creditor power and unsustainable debt gives creditors even more power.
- They did not want your money back.
- They wanted to overthrow our government at your expense.
- Even better, they wanted us to lay a bed of nails and then lie on it voluntarily, thanking them for letting us do it.
- They wanted to humiliate the only government that dared question the logic of an illogical economic policy.

Our five month long negotiation was a contest between the right of creditors to govern a debtor nation and the democratic right of that nation's citizens to be self-governed. There was never a negotiation between the EU and Greece as a member state of the EU.

This is why I am here. I am here because what happened to us is beginning to happen to you. Greece is a battleground on which a war against European democracy, against French democracy is tried and tested.

Back in May, in the sidelines of yet another Eurogroup meeting, I had had the privilege of a fascinating conversation with Dr Schäuble. We talked extensively both about Greece and regarding the future of the Eurozone. Later on that day, the Eurogroup meeting's agenda included an item on future institutional changes to bolster the Eurozone. In those conversations, it became abundantly clear what Dr Schäuble was planning for Europe. It was also clear that a large majority of finance ministers were in agreement. Michel Sapin was not one of them but, still, I cannot remember him protesting openly Dr Schäuble's vision. France is clearly not what it used to be...

And what is the plan? Francois Mitterrand knew that the Eurozone was badly constructed. He believed that the first large euro crisis would force his successors to introduce the political union necessary to save Europe from a 1930s-like fragmentation. He was wrong.

Large-scale crisis is of course inevitable when control over different nations' money is deferred to "technocrats" unchecked by a parliamentary process to keep them in check or to back them up when necessary. Once the inevitable crisis hits, national interests resurface with a vengeance. History proved Mitterrand wrong: The crisis set one proud nation against another and pushed a federal solution further away into a distant future.

Which left us with Dr Schäuble's plan: A Eurozonal budget overlord (possibly a glorified version of the Eurogroup's President) equipped only with negative, or veto, powers over national budgets. Over France's budget to be precise. A Eurogroup that gets more and more powerful as the European Commission fades into the background, limited to looking after matters of minor importance.

To those who speak of 'more Europe' and in favour of a 'political union', I say: Beware! The Soviet Union was also a political union. The question is: What **kind** of political union? A democratic realm of shared prosperity? Or an iron cage for Europe's peoples?

A federal democracy, let me remind you, like Germany, the United States or Australia, is founded on the sovereignty of its citizens as reflected in the *positive* power of their federal representatives to legislate what must be done on the sovereign people's behalf.

In sharp contrast, the Schäuble Plan envisages only negative powers: A budget overlord that can only say 'No' but has very limited capacity to recycle surpluses from the surplus to the deficit regions of Europe – which is what a federal system would do.

The problem with this plan is twofold. First, it would not help to safeguard and to manage the Eurozone's macro-economy. Secondly, it would violate basic principles of Western liberal democracy.

So, why is Greece relevant in all this? Because it is part of the plan to use Greece as a morality tale, as a demonstration to you folks of what awaits you if you resist this disciplinarian version of political union. Grexit is meant as a threat that forces the people of France to accept as lesser evils permanent austerity, permanent crisis and direct control over your destiny by unaccountable, faceless, economically illiterate pseudo-technocrats.

Make no mistake in this: Our government was crushed because we dared say no to the Troika at a time when there were plans afoot for the Troika to come to Paris. Don't say you have not been warned. "We are all Greeks now" not because there is something superior about the Greeks but because the Athens Spring lit up a small candle emitting hope to all Europeans. A candle that the Troika had to extinguish at all cost, lest its authority be challenged by the spectre of democracy.

### Loss of sovereignty over key departments of state

One of the shocking realisations after assuming the Ministry of Finance was the manner in which five years of Troika rule had turned the Greek state into Swiss cheese. Whole chunks of our government had been gobbled up by the Troika, answering directly to them, unaccountable to the ministers or, indeed, to Parliament.

And it was not just the Bank of Greece, which had become incorporated in the European Central Bank – the same central bank that, instead of helping our government (as central banks were initially set up to do), was asphyxiating us. No, I am referring to other crucial institutions like the Hellenic Financial Stability Facility – HFSF - (that owns on behalf of the state all the banks), the outfit that handles all privatisations, the Statistical Office and, of course, my own ministry's public revenues secretariat.

When I decided to reduce the enormous salaries of the HFSF managers, appointed largely by the Troika, I received a letter from Mr Thomas Wieser, the Euro Working Group president, a key Troika functionary, who told me I could not do that without his outfit's approval. In a country where the Troika demands constant wage and pension cuts, the minister could not reduce the exorbitant salaries of the Troika's favourite boys and girls – salaries paid for by our bankrupt nation.

On another occasion I tried to interrogate my own ministry's public revenues secretariat on which it delayed by four months the opening up of the web application with which companies submit their tax returns – the same four month period when our state was being asphyxiated and in dire need of tax revenues. I was told that I, the Minister, had no authority over the Public Revenues Secretariat which was, effectively, directly wired into the Troika. Soon, during the negotiations, the Troika of me to legislate greater autonomy for the general secretary who was assisting in our state's asphyxiation!

And when, after my resignation, I told a group of financiers of my plan to re-establish national sovereignty over that particular secretariat, I suddenly faced a campaign, from the Troika-friendly Greek media, to have me indicted for... high treason.

I am telling you all this so that you are warned. When the Troika comes to Paris, in person or in spirit, know this: a hideous dearth of national sovereignty will be imposed upon French ministers too – if it has not been imposed already.

## Democratic deficit

Let me now take you back to the end of June. Prime Minister Tsipras had announced the referendum on the basis that we had neither a mandate to accept a non-viable agreement, nor to clash with Europe. So, we put the Troika's ultimatum to the Greek people.

In the Eurogroup meeting that followed on 27<sup>th</sup> June, I was lambasted by several ministers of finance for having dared put to common folk complex financial questions. **What?** Is this not the point of democracy? To put complex questions to common folk, on the basis of one person one vote? Was I hearing this properly? The Eurogroup – the organ of the world's largest economy where all the decisions shaping our social economies are made – was rejecting democracy in my face?

In that meeting, President Dijsselbloem announced that he was about to convene a second meeting later that evening without me; without Greece being represented. I protested that he cannot, of his own accord, exclude the finance minister of a Eurozone member-state and I asked for legal advice on the matter.

After a short break, the advice came from the Eurogroup's Secretariat: "The Eurogroup does not exist in European law. It is an informal group and, therefore, there are no written rules to constrain its President." No written rules, no minutes taken (so that citizens can see what was said on their behalf), no respect for democracy. This is the institution that decides for you and me, for your children and mine. Is this the Europe that Adenauer, De Gaulle, Brandt, Giscard, Schmidt, Kohl, Mitterrand etc. had worked towards? Or is it the epitaph of the Europe that we had always thought of as our point of reference, our compass?

A week or so later, the people of Greece, despite the closed banks and the scare mongering of the corrupt Greek media, delivered a resounding NO in the referendum. On the following day the Euro Summit responded by imposing on our Prime Minister an agreement that can only be described as our government's terms of surrender. And the Euro Summit's weapon of choice? The illegal threat of amputating Greece from the Eurozone.

Whatever one thinks of our government, and despite the divisions between us occasioned by that surrender, this episode will go down in European history as the moment when official Europe declared war on European democracy. Greece capitulated but it is Europe that was defeated.

## Our discontent

As you may have heard, on that night I disagreed with PM Tsipras and resigned. We had been disagreeing on a number of issues before.

Conceding to the Troika in late April ridiculously high primary surpluses, without my consent, was always going to embolden our creditors. Once you acquiesce on high primary surpluses, that is you accept new austerity, you signal that you are not really serious about debt restructuring. And once you give up on austerity and the debt, the Troika knows you are beaten. All they had to do was to wait for our capitulation.

The reason I did not resign then, in late April or at the beginning of May, was that I was sure that the Troika would not give my Prime Minister any half-decent deal even after he granted them almost everything they had asked for. For their aim was our humiliation, rather than a hard, austere deal. And so I waited for Alexis to stiffen his tone. The referendum gave him that chance.

When the Eurogroup signalled to the ECB to shut down our banks in retaliation to our referendum – the same banks the ECB had repeatedly declared solvent – I recommended two or three acts of retaliation of our own. When I was outvoted within our war cabinet, I knew it was game over.

But then the brave, fearless people of Greece, despite the propaganda waged by the oligarchs' TV and radio stations, ignoring the closed down banks, voted a resounding 'No' to surrender. That night Danae and I felt that we had another chance. Or that, at the very least, we should resign if we thought our weapons were all spent, taking to the streets with our courageous people. 'Not in our name', should have been our defiant answer to the Troika's demand that we sign up to its catastrophic, 'new' plan.

These disagreements between Alexis Tsipras and I are now water under the bridge. It saddens me that our paths have diverged. In particular it saddens me to hear my comrade struggle for words in support for a program that he knows cannot be made to work.

Can we move forward united in difference? The Left has not been good at this in the past. It better improve now. We need to leave the door open for all those who have the urge and the capacity to join us in the Struggle for Recovering Europe's Integrity and Soul. For democratising the Eurozone.



## A false, but entertaining, history of the euro

Why did we Europeans create the euro? An analytically wrong but entertaining answer goes like this:

The French feared the Germans  
The Irish wanted to escape Britain  
Greeks were terrified of Turkey  
The Spanish wanted to become more like the French  
Southern Italians craved migratory rights to... Germany  
Northern Italians wanted to become German  
The Dutch and the Austrians had all but become German  
The Belgians sought to heal their sharp divisions by joining into both Holland and France under the auspices of a reconfigured Deutsch mark  
The Baltics shivered at the thought of a resurgent Russia  
Slovakians had nowhere else to go after separation from their Czech brethren  
Slovenia was escaping the Balkans  
Finland had to do something Sweden wouldn't  
And, finally, the Germans feared the... Germans!

Like all big lies, this account contains important small truths. The French *did* fear the Germans. And the Germans had reason to fear that fear, as well as their own nation-state's capacity to self-destruct.

At this point I want to beg to differ from those who put the blame for Europe's crisis on Germany and "the" Germans. I have always opposed this tendency for two reasons.

First, there is no such thing as "the" Germans. Or "the" Greeks. Or "the" French for that matter. Anyone who knows German, Greek, French society will also know that there is a great deal more divergence in character, virtue and opinion *within the Greeks, within the French, and within the Germans* than there are differences *between Germans, French and Greeks*.

The second reason I oppose the censure of Germany is that Paris bears greater responsibility than Berlin for our present mess. Let me take you back to September 18<sup>th</sup>, 1992. On that day, two days before the French people were to vote in the referendum on the Maastricht Treaty, *Le Figaro* had this to say:

The opponents of Maastricht fear that the common currency and the new Central Bank will fortify the superiority of the Deutsche Mark and the Bundesbank. But the exact opposite will happen. If it comes to Maastricht, Germany will have to share its financial might with others. "Germany will pay", they said in the 1920s. Today Germany does pay. Maastricht is the Treaty of Versailles without a war.

No German could forgive such callousness. It was no excuse that the French establishment was struggling to persuade a skeptical French electorate to vote 'Yes' in the referendum.

The 1919 Versailles Treaty condemned Germans to unspeakable misery, humiliated the proud German nation, and prepared it to be taken over by Nazi thugs. The Nazis would have remained a historical footnote if it were not for the impossible reparations of the Versailles Treaty.

This was not just a wayward editorial of some French newspaper. President De Gaulle had also envisaged monetary union with Germany as "war by other means" precisely in the spirit of *Le Figaro's* leader. And then in 1983, when Francois Mitterrand decided to ditch the socialist government's anti-austerity policies to placate the markets and the Bundesbank, Jacques Delors argued that he was embracing austerity because austerity could only be defeated at the European level. And how would that happen? Delors' plan was to capture an institution cherished by the German people, the Bundesbank, subsume it in a French-dominated central bank, and extend into Germany and the rest of Europe policies close to Paris' heart.

Yes, it is true that I have had enough of hearing German politicians, like Wolfgang Schäuble, go on and on about the sanctity of unenforceable rules. But we must be honest: France's elites are responsible for putting Germany's elites on the defensive. French Grand Ecoles graduates talk the good talk about Europe's Common Good but in reality they were keen to sacrifice the interests of the majority of the French people on the altar of their narrow self-interest. They constantly demanded that their own people and the rest of Europe should make sacrifices so that France's ruling class would prosper, with Deutsch marks or euros in their pockets.

The euro changed all that. Locked into its steel embrace, France's sophisticated administrators are now realizing that monetary union will not deliver them Germany on a plate. Indeed, they are realizing that not only are they not winning over Germany that they were losing France. This offers us, committed European humanists, no solace. Our people in France, in Germany, in Greece, in Finland are suffering from our so-called elites' inane handling of the euro's inevitable crisis.

### Ants and grasshoppers

Turning back to that old manifesto with which I began my talk, it remains true that the humanity's history is the history of class struggle. The only political force that forgot this is the... Left. The Right have never budged from pursuing a class war in practice while using any crisis to turn one proud nation against another.

The notion that the ants all live in the North and the grasshoppers all in the South, plus in Ireland, is absurd. There are ants and there are grasshoppers in each of our nations. During the 'good' times of the Eurozone, the grasshoppers of the North and the grasshoppers of the South went on a feeding frenzy. And when their sins led to

the crisis, it was the ants of the North and the ants of the South that were made to foot the bill.

The Troika and the Eurogroup represents official Europe's espousal of the grasshoppers' agenda, everywhere in Europe, turning the ants of the North against the ants of the South in a Europe that is losing its soul because of stereotyping, denial and because of the ironclad determination of grubby so-called elites not to let go of the levers of ill-gotten power.

In 1929 a crash in Wall Street began the process that dismantled the common currency of that era – the Gold Standard. In 2008 another crash in Wall Street began the process of fragmentation of the Eurozone. On both occasions, the French turned against the Germans, the Germans against the French, before the French turned against the French, the Greeks against the Greeks and the Germans against the Germans. On both occasions, in the 1930s and now, the only beneficiaries were the bigots, the nationalists, the xenophobes, the misanthropes. The serpent's egg did not take long to hatch in the resulting circumstances.

### Anti-nationalist, anti-nazi

This is why it is so important that we avoid beginning sentences with "The Germans this" or "The French that" or "The Greeks the other". This is why it is imperative that we understand there is no such thing as "the" Germans, "the" Greeks or "the" French. That we are all Europeans facing a very European crisis.

In my first visit to Berlin, at the press conference I gave with Dr Wolfgang Schäuble, I had this to say, in his presence:

*As finance minister in a government facing emergency circumstances caused by a savage debt-deflationary crisis, I feel that the German nation is the one that can understand us better than anyone else. No one understands better than the people of this land how a severely depressed economy combined with ritual national humiliation and unending hopelessness can hatch the serpent's egg within one's society. When I return home tonight, I shall find myself in a Parliament in which the third largest party is a Nazi one.*

*Germany can be proud of the fact that Nazism has been eradicated here. But it is one of history's cruel ironies that Nazism is rearing its ugly head in Greece, a country, which put up such a fine struggle against it. We need the people of Germany to help us in the struggle against misanthropy. We need our German friends to remain steadfast in Europe's post-war project; that is, never again to allow a 1930s like depression to divide proud European nations. We shall do our duty in this regard. And I am convinced that so will our European partners.*

So, no more stereotyping the Greeks, the Germans, the French, anyone. Let us extend our hand to all who want to reclaim Europe as a democratic realm of shared prosperity.

## CONCLUSION

I have tired you enough. Let me finish with my, and Danae's, profound thanks to Arnaud Montebourg and Aurelie Filippatti for their hospitality, their friendship and for allowing us to meet with all of you today – for this opportunity to start something important, here in Frangy.

France is the laboratory of Europe. By bringing into France the spirit of the Athens Spring, hope can be given another chance.

Dear friends, diversity and difference was never Europe's problem.

**Our continent began uniting under many different languages and cultures but ended up divided by a common currency.**

Why? Because we let our rulers try to do something that cannot be done: to de-politicise money, to turn Brussels, the Eurogroup, the ECB, into politics-free zones.

When politics and money are de-politicised what happens is that democracy dies. And when democracy dies, prosperity is confined to the very few who cannot even enjoy it behind the gates and the fences they need to build to protect themselves from their victims.

To counter this dystopia the people of Europe must believe again that democracy is not a luxury afforded to creditors and declined to debtors.

Perhaps it is time for a European network with the explicit purpose of democratising the euro. Not another political party but a Pan-European inclusive coalition from Helsinki to Lisbon and from Dublin to Athens committed to moving from the Europe of "We the governments" to "We the people". Committed to ending the blame game. Committed to the dictum that there is no such thing as "the" Germans, "the" French or "the" Greeks.

The model of national parties which form flimsy alliances in the European Parliament is obsolete. European democrats must come together first, form a network, forge a common agenda, and then find ways of connecting it with local communities and at the national level.

Realism demands of us that our new European Network seeks ways of adapting **existing** European institutions to our people's needs. To be modest and to use existing institutions in creative ways. To forget, at least for now, about Treaty changes and federal steps that can only follow after **we** and the spectre of democracy have ended the crisis.

Take the four realms where Europe's crisis is unfolding. Debt, banks, inadequate investment and poverty. All four are currently left in the hands of governments that

are powerless to act upon them. Let's Europeanise them! Let existing institutions manage part of the debt of member-states, place banks that fail under a common European jurisdiction, give the European Investment Bank the task of administering a pan-European, investment-led recovery program. And, lastly, let us use the accounting profits accumulating within the European System of Central Banks to fund a poverty-fighting program everywhere in Europe – including Germany.

I call this overarching program Decentralised Europeanisation because it Europeanises our common problems but proposes no federal treasury, no loss of sovereignty, no fiscal transfers, no German or French guarantees for Irish or Greek debt, no need for Treaty changes, no new institutions. It gives more freedom to elected governments. It limits their impotence. It restores the democratic functioning of our Parliaments.

A few years ago Michel Rocard backed this proposal, and even wrote the preface to it. It can be the starting point of our Pan-European network's deliberations bringing together the French Left, Greek radical left-wingers, a more confident German society, even conservatives who agree that the current arrangements are poisoning democracy and derailing our economies.

We do not have to agree on everything. Let us make a start with an agreement that the Eurozone needs to be democratised.

When Gandhi was asked what he thought of Western civilisation, he famously replied that: "...it would be a very good idea".

If asked what **we** think of our European Union today, we should say: "What a splendid idea! If only we could pull it off!"

We **can** pull it off. All we need to do is help the spectre of democracy haunt those who detest it.

Let me finish by adding to the French ideals of liberty, fraternity and equality some other notions that our Athens Spring brought to the fore and which the new Europe must embrace again: hope, rationality, diversity, tolerance and, of course, democracy.