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Greece

# The Syriza strategy has come to an end

- Debate - Perspectives in Greece -

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**In a joint interview with German daily Der Tagesspiegel and ThePressProject International, Syriza MP and economist Costas Lapavitsas says that the time has come for Greece and its partners to understand that “they are flogging a dead horse”.**

**What’s your opinion on the negotiations so far? How is the government doing?**

The Syriza strategy has been - and it remains - that a change in the political alignment of forces in Greece, in Europe, or generally, would act as a catalyst in the Eurozone. This strategy has now come to an end. The real question is how long it will be before people understand it.

I was always extremely skeptical of it. I always argued that it isn’t just about political alignment, there are institutional mechanisms and the logic of the monetary union. And those who believe that a simple change of politics is enough to transform this, were mistaken and I think this has been confirmed.

What we’ve seen is that the institutional framework of the Eurozone and the ideological machinery attached to it are not susceptible to arguments that come from electoral realignments. So the agreement of the 20th of February at the Eurogroup reflects that.

**Do your party members notice that this strategy has come to an end?**

Syriza is a big organization which has grown very rapidly. It reflects society. It isn’t some kind of traditional party of the left, and therefore there is a variety of opinions and of political conscience.

I think that the leadership of the party knows that it has a very tough choice ahead of it: Do we persevere with the programme that we proclaimed to the Greek people? Or do we submit to what the institutions, the Brussels Group, the troika, whatever you want to call it, want us to do? These two things are incompatible.

**So there is no middle way?**

There is no middle way. The Eurozone will not allow it. Do I think the leadership was surprised? Yes, I suspect they were to a certain extent. Because my reading of the situation is that the leadership genuinely believed that you could change the political alignments, you could change electoral arithmetic, and on this basis change Europe, change European policies.

**So what should the Greek government do in your opinion?**

Greece needs to consider the true alternative path which is to leave this failed monetary union. It is clearly the only way that was there from the beginning – which is basically exit. If you are going to apply such a programme, as Syriza has proclaimed, which is not radical – Syriza’s programme is just moderate Keynesianism -, you need to think seriously of how you are going to get out of the confines of the Eurozone.

**Do you think Syriza has the mandate for it?**

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A straight answer is no. Syriza has a mandate to fulfil its programme. Indirectly, not directly, it has a mandate to keep the country in the Eurozone. But this question was never openly posed to the Greek people.

### **Is the solution a referendum?**

The first thing to do is not so much discuss the idea of a referendum but actually that of the alternative strategy. There has to be a genuine public debate at last. That's not easy because for five years this country has been subjected to the most incredible misinformation and scaremongering campaigns. So the atmosphere has been very badly poisoned. It is not impossible to have this debate now but it is much more difficult than a few years back.

In my judgement, the best strategy right now is what I call a consensual and orderly exit. Not a contested exit.

### **Can you elaborate on that?**

I think Greece should set a target for itself to negotiate an exit basically without rupture, without falling out, without fighting, without unilateral actions. This would mean: Exit takes place and Greece seeks deep debt restructuring.

**Why would the EU-partners accept? This exit has two elements that the EZ doesn't want: the exit itself and the debt restructuring.**

I am not entirely certain the EZ doesn't want exit. I suspect that it does. And in my judgement if a country asked for a negotiated way out, it might as well receive in it. Germany, Schauble, back in 2011 was in favor of a negotiated exit.

The price for the EZ should be debt restructuring. But they are two more very important elements: the protection of the exchange rate and protection of the banks. These are essentially costless for the ECB because Greece is a small country.

### **What would Europe win out of it?**

Peace and quiet. (Pause...) For a period.

### **Why only for a period?**

Because the monetary union in my judgement is a major historical failure. It's Europe's biggest failure in decades. And it will not last. But obviously it might last long enough for Greece to be dead. Of course the EZ proponents believe it is going to last forever. It is a historical delusion. Monetary unions don't last this long. Let them believe it. Fine.

### **Would the EU as a political construction survive if countries exit the monetary union?**

In 15 years the monetary union has undone all the goodwill generated in Europe by the EU. The state of relations in the European countries today is probably worse than it's been for decades. The state of affairs between Germany and Greece is appalling, absolutely atrocious. And this because of the euro.

This is proof that this money doesn't generate solidarity, this money creates divisions. And this is again the biggest

evidence of its failure. Now stubbornness, unwillingness to recognize the failure of it in the last five years is making things worse. What the EU has done in the last 5 years is to tie itself even more closely around the common currency instead of deeply restructuring it. It has actually made it harder. So yes if now the common currency fails, which I think it will, then the EU will be in question, that's the price to pay for the historical mistake of the common currency.

### **So for Greece, does leaving the EZ also mean leaving the EU?**

The most important is to differentiate between the EU and the EZ. In this country, and in most of Europe, a sustained confusion has been going on for years. That the membership of one equals the membership of the other. It's of course absurd because there are members of the EU which are not members of the European monetary union. If Greece leaves the euro, it doesn't have to leave the EU at the same time. If the Greek people want to leave the EU, let them leave the EU. But that's a separate question. This conflation has been deadly and it's been used ideologically...

There were binding mechanisms even before the monetary union...

The previous regimes were not successful but, compared to the disaster the common currency has been, the previous regimes were beacons of success. The bottom line: Europe needs a monetary system that allows for monetary flexibility. It is complete nonsense to impose a system of monetary inflexibility and at the same time to create flexibility through labour markets and the private sector. But the most profound reason for the failure of the euro is of course German policy.

### **Why that?**

Germany is the country that is the most delinquent in Europe. Not Greece, not Spain, not Italy. And certainly not France. France is playing far more by the book than Germany. Germany has been not keeping the rules and I can make it very simple for you: Germany often accuses Greece - Schauble for instance does - that Greece has been living beyond its means. It's true. But Germany has also been systematically living below its means, and this is how exports are generated, not because of technology, productivity and all that. That's why it is so successful.

But when you are in a monetary union it cannot be a bad thing to live above your means and a good thing to live below. The real rule must be to live by your means. So Germany has not kept the rules and the price is paid by the German people. I understand full well how the German people live. I know very well that wages have not risen for years, that one third of the labor force lives under precarious conditions. Precarious employment, wages below productivity...,

### **So what you are saying is that the euro has not been good for the German people either...**

This also explains why the German people are annoyed and angry when it comes to sending money abroad, paying for others. Of course, I would be angry too in that position: you live in a very tight way, you count your beans and then somebody comes and tells you, you have to pay.

On the other hand, German exporting business, the German banks, this is a different story. They've done very well. But that's for the German people to sort out.

**Do you think the Germans are kept in fear with a purpose? If you are a German you are always told "things will get worse". Germany – we are told- is not performing as it could, Europe is not performing as it could,**

**there is China, there is India, the globalization...**

Globalization is one of those words that means all and nothing. There has been a consistent policy on the part of the German establishment to scare the German public and the German workers, to keep them in fear of tomorrow and of unemployment in particular, there is no doubt. The original idea back in 1998-1999 when unemployment was high is that we accept low wages to restore employment within the confines of a monetary union. Now the argument seems to be 'we accept low wages to compete with the Chinese'. There is no end to this. The truth is low wages are not good for Germany. Germany needs a policy of boosting domestic demand. This is neo-mercantilism, the belief that growth comes from abroad only, that the only wealth is exports.

**Are you making the same point about Greece? Is domestic demand the key to return to growth? How should Greece get back on its feet?**

There are three stages. First, as I said, is the negotiated, consensual, orderly exit.

Second stage is recovery and that would depend very much on recovery of domestic demand which is very heavily repressed in this country. There are vast resources lying unused. Small and medium enterprises would be reactivated, that's what would really restart the Greek economy. Not exports - this worship of exports is nonsense.

But obviously that is not really a path for sustainable growth. What Greece would need after that would be an industrial policy to restructure its productive base, to integrate itself in the world economy on a different basis. That would take a few years.

**But Greece would be still part of a common market, as a member of the EU. So it is not so easy to go back to domestic demand and to the SMEs, because it would have to kick out the big companies that could still sell cheaper.**

I believe that Greece could out-compete imports very easily. Unfortunately, wages have been destroyed during the last 5 years due to bailout policies. A devaluation of 15-20% (but no more since as I said the ECB would defend the exchange rate) would give a tremendous competitive advantage. Wages would then gradually rise again.

**What are the chances for that to happen? For Greece to choose that path?**

At 2010 I said there are 3 possible solutions. Austerity, 'the good euro' and exit. I said that the most likely solution would be austerity and this would be a disaster. As for the good euro strategy (i.e., that you achieve Keynesian policy within the confines of the euro – the strategy of Syriza), I said that the chances of this occurring were close to zero. The strategy of exit is the only logical one. The real issue is will it be contested or orderly? I don't know. But exit there will be at some point.

**How can it be orderly when now even implying that the negotiations are not going well brings panics and fear of a bank run?**

The first thing to happen is for the EU and Greece to understand that they are flogging a dead horse. After 5 years of torture, it is time to finish. This strategy has come to an end. Some sense please. So when I say a strategic aim this is what I mean. People have to come to terms with it. And those who refuse to see, it is because of ideological reasons, because this ideology is poisoning the debate.

### **What is this ideology?**

It is not neoliberalism, it is Europeanism. The idea of Europe as this transcendental entity which is good for all of us and we all belong to it. This great fiction that has emerged in the dominant countries and has come to penetrate the weaker countries.

I am socialist, old style, with the old meaning of the word, the idea of the United States of Europe and of European solidarity is a socialist idea and I share it. Obviously it has also been a Nazi idea, used by Hitler. No one has the monopoly of the idea of a unified Europe.

I don't believe in a single European people, there is no European demos, and there shouldn't be. Europe is about plurality, many different languages, cultures. Since when was it desirable for all of us to be just European, to be one thing?

These are illusions and ideologies. I don't see a political convergence, I see the rise of fascism, the rise of the extreme right, I see extreme tension. Front National in France is at 30% of the vote, and the way things are going, I would not be surprised if the next president of France were a fascist.

### **If the euro was such a bad idea, why is there this “stubbornness” - as you called it - across Europe to support it? What are the interests behind the idea?**

Money is the embodiment of non-economic relations as well. It embodies social relations, it has identity attached to it. This often means national identity. The Americans are the dollar, the British are the pound, the Germans used to be the Deutsche Mark. The euro particularly in the countries of the periphery has come to mean being European. You see it also in the Baltic countries. So there is an element of identity and an element of international policy.

### **But why the core countries of the EU are so much attached to the idea of the common currency?**

I think the core doesn't know how to get out. A bad mistake was made 15 years ago, and the risks of getting out are perceived as very high. At the same time, some special interests, the exporting sector, the banking sector, are strongly defending it because it has served their strategy.

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[Verso](#)

*A shorter version of this interview was published in German in the Berlin daily Der Tagesspiegel.*