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REBELLION IN ATHENS[1]

SOON AFTER THE NEW SYRIZA GOVERNMENT of Greece in early 2015 engaged in the first skirmishes with the Eurozone finance authorities about its election promise to end austerity, movie director Costa-Gavras in *Le Monde Diplomatique* was quoted as saying that the dark cloud hanging over its head this time was probably not a military intervention like the one that in 1967 ushered in an ugly colonels' regime lasting seven years. Instead, the maker of *Z* and other gems of political cinema warned that in the current conditions one should rather expect merciless economic and psychological warfare, pursued to the bitter end. The Greeks would be forced to bite the dust if only to rule out that any other government ever would even consider departing from the Eurozone's austerity dictate.

At the time of this writing, finance minister Yanis Varoufakis already stuck out his neck rather recklessly by allowing French leisure magazine *Paris Match* a photo shoot that shows him in his Athens home enjoying the good life that is the envy of so many northern Europeans and which they are being told has been lived by all the Greeks (and of course the Portuguese, Italians, the Spaniards, etc.) for far too long, 'at our expense'.

Yet the pictures of the Greek finance ministry's first couple on a spacious roof terrace with the floodlights of the Akropolis in the distance are only the beginning. Besides mobilising the cynics (shouldn't a proper leftist at least live in a cave?), they may broaden the audience for what Gramsci saw as the core political style of fascism, 'passionate sarcasm'[2]—the style, that is, germane to the phase of the build-up of fascist power, when it still only challenges, largely within the bounds of bourgeois legality, formal parliamentary rule by whipping

[1] Written April 2015, rejected by *New Left Review* June 2015.

[2] 'Fascismo', in *Dizionario Gramsciano 1926-1937*. Guido Liguori and Pasquale Voza, eds. (Roma: Carocci, 2009) p. 294.

up hatred of 'the elite', of rational debate, and of those groups that jeopardize the health of the community by being alien in one way or another—Jew or Muslim, communist or just 'Left', or in the EU, the 'PIGS' (Portugal, Italy, Greece and Spain)—all depending on the period we speak of.

In the circumstances prevailing in the Eurozone today, it is indeed nothing less than democracy itself which has entered a twilight zone. This is what makes the Greek experiment, if it actually is one, such a risky undertaking. In the pages that follow, I will recount why and how democracy in Europe and the West at large has been mutating towards a condition in which it effectively has lost any anchorage in a self-reproducing class compromise in production and becomes exposed to political morbidity of a fascist type, including out-of-control violence and war. Varoufakis' own *The Global Minotaur* may help us to establish whether and to which extent he, certainly the most colourful figure in the Syriza-led government, has thought through the implications of breaking ranks with the Euro-Atlantic neoliberal mainstream.

Class Compromise and Social Cohesion

All societies rely for their durability on a central class compromise that provides the grid on which further compromises are grafted and through which crises and dislocations are absorbed and overcome. This compromise originates in what David Harvey calls the 'human resource complex' on which production is grafted.[3] Over time, societies become 'national', and acquire what may conveniently be called a distinct 'national character' because of *cumulative* class compromises that shape the collective reception of their own past and mould expectations, whilst inspiring the confidence needed to deal with future emergencies.

Before production was recognised as the bedrock of class compromise, liberal philosophers speculated on its role in various directions. David Hume in the mid-eighteenth century argued that all societies rest on compromise, the English being the sole exception because of their individual liberty and religious

[3] David Harvey, *The Limits to Capital*, rev. ed. (London: Verso, 2006 [1982}), p. 399.

diversity.[4] His younger contemporary, Edmund Burke, considered British exceptionalism from the opposite angle: unlike societies liable to revolutionary convulsions like France, the Anglophone legacy of liberty and diversity instead fostered a political style that turns 'all change into a subject of compromise, which naturally begets moderation; they produce temperaments, preventing the sore evil of harsh, crude, unqualified reformations, and [render] all the headlong exertions of arbitrary power... for ever impracticable'.[5]

Liberal ideologues would continue to ignore the anchorage in production of this largely mythological but as a powerful myth, *central* characteristic of Anglophone society—the idea of a quasi-natural, pragmatic adjustment to changing circumstances. This may be traced to the fact that even when Britain was the workshop of the world, the imperial worldview of the commercialising aristocracy that took hold across the Lockean heartland was not discarded. Of course the society of agriculture and early manufacture in which it crystallised did not endure, and when it metamorphosed into mass industrial society, for which the principles of gentlemanly compromise and moderation proved ill-suited as a formula of social cohesion, epochal tensions threatened to dislodge it altogether.

Thus in the run-up to World War One it was widely felt that European society was no longer able to contain the pressures for change and socio-cultural innovation emanating notably from the socialist labour movement and that a 'conflict between the two social orders—of privilege and the masses' was heading for a violent dénouement.[6] Yet the epoch of mounting tensions and even the cataclysmic struggle that followed must be understood as deepening compromise in production, enlarged by social security arrangements and other, more intangible forces supporting national cohesion. Hence when the crunch came, the majority socialists across Europe rallied to the defence of the fatherland, as long as the enemy could be depicted in terms 'beyond

[4] *Essays. Moral, Political and Literary*, in two volumes (London: Longmans, Green & Co., 1875), vol. I [1742], pp. 248, 252. One must assume that Hume, a Scotsman, used 'English' here as referring to white Anglophone society more generally.

[5] *Reflections on the Revolution in France* [1790], in *The Works of the Right Honourable Edmund Burke* (London: John Nimmo, 1887)], vol. III, p. 277.

[6] Bernadotte E. Schmitt and Harold C. Vedeler, *The World in the Crucible, 1914-1919* (New York: Harper & Row 1984), p. 20.

compromise'. Only in Russia the war led to the collapse of an autocracy ruling a pre-bourgeois society fundamentally unable to accommodate its working class; in Germany, north Italy and Hungary, revolutionary outbreaks remained sporadic in the face of social cohesion underpinned by past compromises and bonds welded in the factories and the trenches.

Indeed in the main belligerent countries the war had demonstrated the viability of an economy organised entirely around large-scale production. This is the bedrock of class compromise, to the point where Lenin thought that the change from bureaucracy to democracy would suffice to shift the ground from state-monopoly capitalism to socialism.[7] Certainly the depth of national economic integration around large-scale industrial complexes made any attempt to resurrect 19th-century-style liberal internationalism premised on the gold standard and speculative financial flows an illusion, as the 1929 stock market crisis and the Depression would reveal. Instead the locus of class compromise shifted in a radically different direction with the establishment of a corporate liberal capitalism pioneered by F.D. Roosevelt's New Deal in the United States.

This compromise was centrally anchored in the ascendant mass production industries of the Fordist complex, with automobile and other durable consumer goods production subordinating the coal and steel bloc of the previous era. In the end, another round of world war was necessary, not only to defeat the contender states led by Nazi Germany (which remained in the grip of a bankrupt heavy industry bloc that proved 'too big to fail'), but also to actually release the full potential of a demand-led mass production economy. Just as, in both cases, the war effort mobilised the mass psychological forces required to weld a new class compromise. For even fascism is a form of compromise—an agreement to draw together around a stock of common convictions and experiences in the face of forces considered entirely alien to that agreement. In the case of Germany, Versailles provided the common ground which would not otherwise have existed to permit the ascent of a criminal regime.

Given that the 1929 Wall Street Crash had been caused by the excesses of internationally active money-dealing capital (*Geldhandelskapital*), in the United States the bank crisis and the Depression were responded to, after two

[7] V.I. Lenin, *The Impending Catastrophe and How to Combat it* [1917] in *Coll. Works* (Moscow: Progress, 1964), pp. 337, 341.

years of economic collapse that ruined the heavy-industry-centred capitalist bloc, by the 1933 Glass-Steagall Act, a centre-piece of the New Deal. Glass-Steagall subjected money-dealing capital, its institutional presence in the economy as investment banks and brokerage firms, and the class fraction it catered to (the *rentiers*), to repression. Thus money capital proper (the deposit banking business, insurance, and the finance departments of large corporations) would be able to perform its systemic function as the pivot of the cycle of industrial capital, undisturbed by the risks involved in speculative international operations of a fundamentally commercial form of capital, that is, capital in commodity form, trade; in contemporary terms, trade in services and more particularly, trade in financial services.

As a form of commercial capital, money-dealing capital does not add value but only chases rewards from price differentials through the profit distribution process. These differences (value-adding production, P; money capital invested with an eye to keeping real accumulation going, M; and commercial, money-dealing capital, let us say, C^M as a specific form of C) are intrinsically connected to different forms of class compromise determining whether and to which degree a capitalist society allows forms of political democracy to take hold. Whereas class compromise in production works to enfranchise organised labour, the relocation of production to zones outside that compromise obviously undermines democracy; what remains is at best an *Ersatz* compromise between money capital and middle classes able to profit from its operations. However, once money-dealing capital encroaches on the operations of investment capital beyond a certain point, the basis for any social compromise becomes narrow indeed.

Anglophone liberals from the early 18th century had theorised how politics should mobilise a following for the alternation of 'party' positions aligned with fractions of capital (landed property plus the money interest versus manufacture and trade). Whilst they ascribed the faculty of reason exclusively to the property-owning classes, they also believed that 'even if all men cannot reason, all men can feel', and that therefore it should be possible to sway the broader public with emotive themes such as patriotism.[8] The founders of modern political science at the turn of the 20th century, Mosca, Pareto, Michels,

[8] See my *The Discipline of Western Supremacy* (London: Pluto, 2014), pp. 8-10 for further detail.

and others, were still confident that mass society, then pressing forward to obtain the right to vote, could be held in check by elites manipulating powerful emotive symbols and 'superstitions'.

This certainly inspired the aestheticisation of politics by fascism, but the New Deal was a different matter. The 'rationality' of the North American class structure, famously highlighted by Gramsci, and unburdened by the social weight of what he calls the 'pensioners of economic history' as in Europe (or Japan), enabled the organised working class to press its interests directly, 'rationally'. Certainly the Fordist format of the relations of production worked to commodify any demand of organized labour into an economic one, thus deepening its insertion into the capitalist economy, its 'real subsumption' to capital. Collective bargaining from the start was only allowed to deal with wages in relation to productivity. Even so, political democracy, as Rueschemeyer, Stephens and Stephens have documented, *critically depends on the organized working class*, not on the bourgeoisie, which historically has been ambivalent on the issue and at best an ally of the workers clamouring for it.[9]

In that light the restatement by Joseph Schumpeter of the original elitist understanding of democracy (in his *Capitalism, Socialism and Democracy* of 1942), which restricts the voting public to a passive role, is best seen as an element in the panoply of ruling class power that was being assembled to deal with possible further democratic demands after the war. From the induced recession of 1937 through which the Roosevelt administration sought to tame the workers after the New Deal had unleashed dangerous forces for change, to Joseph McCarthy's anti-communist witch hunt after the war, runs a political business cycle which as Kalecki argued, allows capital accumulation to be adjusted to the requirements of class power whenever full employment threatens to break out of the production-consumption format of Fordism.[10] The vote, and what could be voted on, was always secondary to this fundamental equation, but otherwise the presence of organized labour at the heart of the class compromise with capital nevertheless underpinned 'the best democracy money can buy'.

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[9] Dietrich Rueschemeyer, Evelyne H. Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), pp. 270-71, & *passim*.

[10] M. Kalecki, 'Political Aspects of Full Employment'[1943], in E.K. Hunt and J.G. Schwartz, eds., *A Critique of Economic Theory* (Harmondsworth: Penguin, 1972).

Let me now bring in Yanis Varoufakis' analysis of the global political economy in which class compromise was embedded.

The 'Global Plan' and Its Limits

The New Deal compromise, extrapolated to Western Europe through the Marshall Plan, was premised on what Varoufakis labels 'the Global Plan' to use US surpluses to resurrect its wartime foes as bastions against the new contender, the Soviet Union and its client state socialisms. The American project was a second-best to what was the truly visionary scheme to establish a functioning *surplus recycling mechanism*, the Keynes Plan placed before the Bretton Woods conference in New Hampshire in 1944. Here the British economist, an iconoclast and eccentric but otherwise dedicated to the long-term survival of capitalism, proposed an International Currency Union with the *bancor* as a universal currency. The plan envisaged giving each country an overdraft facility at 50 percent of its trade volume in bancors, at zero interest. More could be borrowed but at a fixed rate. A surplus country would be penalised if its surplus exceeded a given level, thus forcing it to revalue, and this would in turn finance the loans to deficit countries.

This proposal was referred to in a BBC interview in January 2011 by the director of the IMF, Dominique Strauss-Kahn. Strauss-Kahn boldly declared that 'Keynes, sixty years ago, already foresaw what was needed; but it was too early. Now is the time to do it. And I think we are ready to do it!' A few weeks after the interview he was seen being driven off handcuffed in a NYPD car, suspected of sexual impropriety, and dismissed from the IMF before a magistrate had even indicted him.[11] Today even less than in 1944, the United States is inclined to allow anyone to meddle with the prerogatives it derives from the ability to print the world's reserve currency.

The Global Plan as the alternative to the original Keynes Plan aimed at securing a European market for West German industry whilst incorporating it into the

[11] Quoted in Yanis Varoufakis, *The Global Minotaur. America, Europe and the Future of the Global Economy* [rev. ed] (London: Zed Books. 2013 [2011]), pp. 254-5. Varoufakis leaves unaddressed whether this was a deliberate honey trap or a lucky break for the IMF director's detractors.

Atlantic line-up against the Soviet bloc; and providing markets for Japan's output too. The latter was achieved by recruiting its industrial base for the Korean War and subsequently, the Vietnam War, and by actually opening the North American home market to Japanese products. In hindsight, we may see in this generosity also a paradoxical reward for the ability of both German and Japanese capital to press down wages and impose maximum discipline on their work forces, which short-lived labour militancy right after the war was not able to reverse. Even at the time of the establishment of the original European Economic Community, the differential between French wage costs bolstered by workers' gains in the Popular Front and West German wages and conditions still remained a major bone of contention.

The Atlantic class compromise, within the aforementioned limitations, was no less real. It worked, in Europe more than in North America, to create the one period in the history of capitalism in which, according to the documentation provided by Erik Bengtsson and Magnus Ryner, the wage share in society enjoyed modest rises, even briefly jumping in the inflationary early 70s (when wage indexation still held)—before entering the long-term decline that is continuing today.[12] However, the real net beneficiaries of corporate liberal capitalism were the middle class, whose relative enrichment according to Piketty 'was the principal structural transformation of the distribution of wealth in the developed countries in the twentieth century', even if the gains for this 40 per cent of the population remained confined to one third of wealth in Europe and one quarter in the US; the rest remaining in the hands of the top ten percent. Otherwise, the benefits of class compromise in production consisted of the consolidation of a quarter to a third of all wealth as public property.[13]

In the meantime, what Keynes had foreseen happened in the course of the 1960s. There was no sustainable surplus recycling mechanism in place once the US, which wanted to remain in control, became a deficit country on account of the huge expenditures for the Vietnam War. These by 1965 began pushing down

[12] Figures for 14 countries, minus the top one percent salaries, Erik Bengtsson and Magnus Ryner, 'The (International) Political Economy of Falling Wage Shares: Situating Working-Class Agency', *New Political Economy* (2014) p. 7, Fig. 2, e-edition. DOI: 10.1080/ 13563467. 2014. 951430

[13] Thomas Piketty, *Capital in the Twenty-First Century* [trans. A. Goldhammer] (Cambridge, Mass.: Harvard University Press, 2014), pp. 260-61; 137, 184.

corporate profits and living standards alike, and as a result the gold cover of the US dollar agreed at Bretton Woods became untenable. By early 1971 US liabilities stood at more than $70 billion, backed up by $12 billion in gold, after Washington had already been compelled to throw 20 percent of its gold stock into the breach when Britain devalued in 1967 (by 14 percent, well beyond the one percent limit of the Bretton Woods rules). Varoufakis recounts how French president Pompidou in August 1971 sent a French destroyer to New Jersey to redeem US dollars for gold from Fort Knox; a few days later Edward Heath made a polite request for the same on behalf of the UK. Nixon was livid and on 15 August announced the end of gold convertibility.

This was step one in a dramatic turning round of the postwar surplus recycling mechanism, the setting up of the Global Minotaur structure Varoufakis sees as having obtained till the crisis of 2008. Named after the Cretan monster to which Athens had to supply annual human sacrifices until Theseus ended the tribute, the US Minotaur henceforth was fed with the surpluses of the rest of the capitalist world, industrial as well as financial.

Architects of the Minotaur's Labyrinth

The abrogation of the New Deal/postwar class compromise in production and the concomitant restrictions of political democracy transpired over the decade of the 1970s. It culminated in the Thatcher and Reagan revolution and came about through a process of class formation in which strategic elites abandoned the corporate liberal principles of Fordism and Keynesianism and converged on ideological themes discredited or marginalised in the post-1945 Golden Decades. From disparate angles at first, and over time reworking positions initially adopted into a more comprehensive stance, the period illustrates how such epochal reconfigurations of capitalist class power acquire their internal consistency and outward cogency. Without these exploratory processes a class position cannot achieve the cohesion through which it in the end imposes itself on society at large as a concept of control, and neither would it be recognised as a viable project on the part of the larger sections of the population with which a compromise is sought.

It all starts with uncertainty and minority positions challenging the orthodoxy of the period coming to a close. Thus in the Nixon administration only Secretary of

Labour George Shultz initially subscribed to the provocative thesis of MIT economist Charles Kindleberger that *as long as the rest of the world recognised the necessity of US leadership*, foreign creditors would continue to cover any deficits, knowing that they were in fact investing in the provision of certain public goods serving the system as a whole. The majority stuck to the classical position, represented in academia by Robert Triffin, that the US too should balance the books first.[14] The Kindleberger position then resonated with a task force led by Paul Volcker, whose CV included previous positions in the Federal Reserve of New York, Chase Manhattan Bank, and a first stint at the US Treasury in the mid-sixties. Volcker, appointed by Nixon to the post of Under-Secretary of the Treasury for International Monetary Affairs with a brief to report to the National Security Council under Henry Kissinger, in May 1971 submitted the plan to suspend gold convertibility.

Volcker's boss at Chase Manhattan, David Rockefeller, in an attempt to assuage disquiet among US allies over Nixon's unilateralism, from 1972 put his right-hand man, Columbia scholar Zbigniew Brzezinski, to work on what became the Trilateral Commission (TC), an offshoot of the Bilderberg Conferences but including a Japanese contingent, to provide a strategic forum in which a consensus on the new international order could be worked out (and of which Volcker would later become the North American chairman).

From the TC emanated the first explicit proposal to roll back the democratic format of the compromise with organized labour in production, the oft-cited *Crisis of Democracy* report of 1975 written by Michel Crozier, Samuel Huntington, and Joji Watanuki. The report stated that 'In recent years, the operations of the democratic process ... have generated a breakdown of traditional means of social control, a de-legitimation of political and other forms of authority, and *an overload of demands on government*, exceeding its capacity to respond'. To underline that the demand load coming from the working class was the key problem, Huntington in his chapter argued against making democracy synonymous with equality.[15].These were the years of the

[14] Duccio Bassosi, *Il governo del dollaro. Interdipendenza economica e potere statunitense negli anni di Richard Nixon (1969-1973)* (Florence: Edizioni Polistampa, 2006), pp. 34-40.

[15] Michel Crozier, Samuel P Huntington, and Joji Watanuki, *The Crisis of Democracy. Report on the Governability of Democracies to the Trilateral Commission* (New York: New York University Press,. 1975), pp. 9, 62.

aftershocks of the May ’68 movement, the oil crisis, the Portuguese revolution and the collapse of the NATO-imposed dictatorship in Greece, the US defeat in Vietnam, and the first simultaneous recession since the Second World War—years in which the open-ended quest for ways out of the crisis threatened to prolong, even *expand* the role of organized labour and the political left in new class compromises.

Already in 1969, the idea of bracketing economic expertise from democratic interference, and assign it the status of scientific certainty led the Swedish central bank, a hotbed of the emerging neoliberalism, to ask the Nobel prize committee to be granted a licence to award an annual prize under the Nobel brand. The Mont Pèlerin Society, the network in which Friedrich Hayek, Milton Friedman and their peers from 1947 had groomed an alternative to Keynesianism restoring the *rentier* (recommended for euthanasia by Keynes) to respectability, would become the main supplier of its laureates. Its commitment to ending the class compromise with organized labour dated from the founding MPS meeting, which identified the ‘power of the trade unions’ as the key obstacle to be removed in order to return to sound capitalist practice.

From 1978, Ed Feulner, Jr., the president of the Heritage Foundation, was treasurer of the MPS. Heritage had been launched five years earlier by Paul Weyrich and was funded by a group of socially revanchist multi-millionaires such as the beer magnate, Joseph Coors, Mellon heir Richard Scaife, and others, before gaining the support of, again, Chase Manhattan, Mobil Oil, and other mainstream corporate giants. Feulner was prominent among those attacking the Third World advocates of a New International Economic Order on account of their strategy to use the post-1971 dollar inflation for a grand redistribution of global power and influence under the guise of ‘self-determination’.[16]

From 1979, Volcker, appointed by president Carter as head of the Federal Reserve, used a series of interest rate hikes to disorganise that very project. A year prior to his appointment, in a Warwick University talk, he tellingly dismissed the idea that the market was ‘an impartial arbiter’, because ‘retaining

[16] E. J. Feulner, Jr., *Congress and the New International Economic Order* (Washington, DC: The Heritage Foundation, 1976), p. 66. For a more complete overview of all the networks involved in the neoliberal offensive, plus sources, I refer to my *Transnational Classes and International Relations* (London: Routledge, 1998) and other works.

freedom of action for national policy' comes first. He added that '*a controlled disintegration of the world economy*' should be the target in the 1980s. In other words, as with the Global Plan, the project of the Global Minotaur feeding on the world's surpluses would tolerate no entities capable of sustaining an alternative order.[17]

At his confirmation hearing in August 1979, Volcker warned that inflation also was eating into profits, indicating the need to use anti-inflation measures to right the balance of strength with labour. This of course had been the concern of many other networks formed in response to the democratic surge of the late 60s and early 70s, among them another Bilderberg offshoot, the Pinay Circle or *Cercle Violet*, named after the former French prime minister and his lawyer respectively. Constituted in 1969, its members included the Far Right Bavarian fiefholder, Franz-Josef Strauss; and from Italy, the consummate politician, Giulio Andreotti, '*il Divo*', the cement king close to the Vatican, Carlo Pesenti, and many others. The Pinay Circle interfaced with various other networks operating in the shadow world of intelligence services and neo-fascist operatives active in Latin America and Europe; a section of its Italian membership was included in the infamous Masonic Lodge, *Propaganda Due*, whose Grand Master, Licio Gelli, (a former fascist intelligence officer, liaison officer with US intelligence, and guest of honour at Ronald Reagan's inauguration in 1981) played a key role in the NATO 'strategy of tension'. This strategy among others aimed at derailing the inclusion of the Italian Communist Party into the government and culminated in the assassination of Christian Democratic party leader Aldo Moro in 1978. Gelli's philosophy was that 'dictatorship and democracy always march side by side, because democracy is being undermined by dictatorship and dictatorship is being undermined by democracy'. A stable equilibrium between the two had not yet been reached and was difficult to imagine.[18]

Having jolted the balance away from the democratic configuration of the previous decades by his monetary interventions, Volcker in December 1979 participated in a two-day conference of the Pinay Circle in Washington D.C, which was also attended by Feulner, European Commissioners K.-H. Narjes

[17] Cited in Varoufakis, *The Global Minotaur*, op. cit., p. 100.

[18] Cited in Philip Willan, *Puppet Masters. The Political Use of Terrorism in Italy* (London: Constable, 1991), p. 211.

(also a TC member) and F.M. Pandolfi (former Italian finance minister and a member of *Propaganda Due*) and a series of intelligence officers including William Colby, the architect of the Gladio covert network in Europe and former director of the CIA. This array of participants made the event a worthy conclusion of a protracted process of strategic elite realignment through which a fundamental reordering of Atlantic class society from capital-labour compromise in production to a different configuration of forces, came about. As Volcker would put it himself in 1985, the new hegemonic formula was perhaps 'not implemented as smoothly as it could have been... [but] there is...more emphasis on market orientation..., more concern and effort to reduce the proportion of government in GNP, more emphasis on private initiative', and all this was not confined to the United States either but even extended to France and the developing world.[19]

The Volcker Shock built on the rolling back of democracy through the bracketing of neoliberal economics, the assault on the working classes in the developed world (where necessary enlarged with military coups and covert operations creating terror scares), the New Cold War announced by the NATO decision to aim intermediate-range missiles at Warsaw Pact command centres, the Contra counteroffensive in the areas where socialist or socialist-inspired forces had still been advancing the 1970s, and so on. Yet the mobilisation of the aforementioned networks and the adoption of their neoliberal/neoconservative ideas by successive US presidencies (in the Carter Administration, more than twenty TC members held senior office from the president down, whilst the Far Right, including also the mid-seventies Committee on the Present Danger, had an even firmer grip on the Reagan administration[20]) still was accompanied by a class compromise outside the strategic elites involved in them.

Since production was now evacuating the zones of class compromise with organised labour (whether inside countries to non-unionised regions or sectors, or abroad) whilst public property was being axed by privatisation drives, the one

[19] Cited in Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1990) p. 114. On the Pinay Circle, David Teacher, 'The Pinay Circle Complex 1969-1989', *Lobster. Journal of Parapolitics*, 26, pp. 9-16.

[20] Ibid., p. 166. The Heritage Foundation was credited with writing Reagan's government programme, the CPD had 32 representatives from the president down in the administration. Ronald Brownstein and Nina Easton, *Reagan's Ruling Class. Portraits of the President's Top One Hundred Officials*, 2nd ed. (New York: Pantheon, 1983 [1982]), pp. 533-4 & *passim*.

substantive social force available to a neoliberal class compromise were the asset-owning middle classes, which as we saw had been the beneficiary of the previous period in terms of private property. So, as Gérard Duménil and Dominique Lévy highlight, besides 'a strict alliance with top management... achieved by paying out astounding remunerations, as "wages" and stock options', the [new] compromise took the form of giving asset-owning upper middle classes a chance to profit from capital incomes and asset price rises, 'either directly or through investment funds'.[21]

Thus with the abrogation of the class compromise with organised labour in production, the balance among fractions also shifted to money capital qua money, and without the restrictions imposed by domestically anchored class compromise in production. Even so, the priority awarded to restoring global class discipline lent Volcker-style neoliberalism a *systemic* quality, because his prime objective and that of the majority of the forces he spoke for, was the restoration of profits from real capital accumulation, M – P – M', albeit under conditions far more favourable to capital. Combating inflation was mandatory for the Minotaur structure: first, because the credit-financed industrialisation and modernisation projects of the Soviet bloc countries, Yugoslavia, and the Third World coalition clamouring for a New International Economic Order, had to be scuttled. Secondly, because wages in the United States had to be brought down to attract foreign investment into the US economy; and third, because a strong dollar would bolster demand for US corporate and treasury securities, and vice versa.

The Many-Headed Hydra of Money Capital

Just as the Global Plan had been a conscious creation rather than a spontaneous economic miracle, the Global Minotaur was based on strategic calculations that owed little to the market magic propagated by neoliberal economists. The Minotaur structure however lacked the element of generosity towards West Germany and Japan and their respective regional economic spaces that the Cold War and the fresh memory of the Depression and World War II, as well as fear

[21] Gérard Duménil and Dominique Lévy, 'Neo-Liberal Dynamics—Towards a New Phase?' in K. van der Pijl, L. Assassi, and D. Wigan, eds. *Global Regulation. Managing Crises After the Imperial Turn* (Basingstoke: Palgrave Macmillan, 2004), p. 30.

of Soviet state socialism had imparted on its predecessor. It was truly an insatiable monster and that was also what it was set up to be, just as it attacked, on the recommendations of a micro-economics no longer subject to political dispute, the actual working classes. That the abrogation of the class compromise with labour was most ferociously executed in the United States, follows from the above-mentioned need to attract foreign investment. As Varoufakis documents, when unit labour costs in Japan, West Germany and even Thatcherite Britain were still rising at average annual rates between 11 and 15 percent in the period 1985-90, the US labour cost growth rate was already down to 1.6 percent per annum, and when in the next decade, wage rises froze everywhere, the US growth rate was still lowest and America the cheapest developed economy to produce in.[22]

Now money capital is a many-headed Hydra, and removing the controls imposed on it will let its different faces appear all at the same time. On the one hand, it represents the totality of capital, the imaginary ('fictitious') control panel from which investment funds are being distributed over the different branches of production. On the other, it is the specific form of capital handled by money capitalists, viz., banks and finance departments of other companies competing among each other, to be used *either* as credit to productive, profitable activities, M; or as money-dealing capital, C^M, which as we saw is a form of commercial capital that appropriates its share of total profit via the price system, by exploiting price differentials. The relaxation of the Keynesian controls on money capital, culminating in the Volcker shock of 1979 and the neoliberal policies of the 1980s, inevitably allowed money-dealing capital, too, to make a come-back from the euthanasia Keynes had recommended for it in the Depression.

In the words of R.T. Naylor, 'Tight credit encouraged, even forced, legitimate money into patterns of behaviour historically associated with the cash hoards of drug peddlers, tax evaders, contraband traders, and others who have something to hide—namely, the search for short-term havens in highly liquid assets, instead of seeking opportunities for long-term productive investment'[23] The *rentiers* (recipients of rent, interest and dividend and the beneficiaries of capital gains on assets) now regained strength as wages declined. Rentier income had

[22] Varoufakis, *The Global Minotaur*..., op. cit., pp. 104-5.

[23] R.T. Naylor, *Hot Money and the Politics of Debt* (London: Unwin Hyman, 1987), p. 13.

never been entirely repressed, but 'the big acceleration in its rise began around 1979 or 1980. During the period of the Volcker monetary policy of high real interest rates and the Reagan policy of large budget deficits, the rentier share leaped.'[24] The United States led in absolute terms (thirty-eight percent of GNP in the 1980s, slightly declining in the 1990s). The class compromise with asset-owning middle classes, although heavily skewed towards home ownership, also relied on rentier incomes; just as changes in the bond market allowing government bonds to be traded over the counter and tax measures replacing the take on top incomes with paying out interest on government bonds, all worked to consolidate it.

However, since the components of bank capital separated by Glass-Steagall had by the mid-1980s effectively blended again (the act would eventually be abolished by the Clinton administration in 1999), these benefits to the (upper) middle classes inadvertently became exposed to the instability and risk that come with the ascendancy, on account of its superior profitability, of money-dealing capital. Peter Gowan captures the shift when he writes that 'trading activity here does not mean long-term investment...in this or that security, but buying and selling financial and real assets *to exploit—not least by generating—price differences and price shifts*' ('speculative arbitrage').[25] Thus after a relatively brief period the neoliberalism projected by the bloc of forces of which Volcker was the spokesman, that is, the *systemic* correction of the compromise with organized labour, fell prey to the inevitable corollary of unleashing money capital, money-dealing capital—*predatory* neoliberalism. The Big Bang in the City of London and the replacement of Volcker at the head of the Federal Reserve by J.P. Morgan banker and Ayn Rand affeccionado Alan Greenspan mark the transition from the systemic to the predatory variety of neoliberalism in terms of managing the Anglophone financial sector.

From 'national' class compromise with organised labour in production, via compromises with the asset-owning domestic middle classes in a context of relocating production, to the predatory rule of money-dealing capital, capitalist

[24] Gerald Epstein and Dorothy Power, 'The Return of Finance and Finance's Returns: Recent Trends in Rentier Incomes in OECD Countries, 1960-2000', *Research Brief, Political Economy Research Institute* (University of Massachusetts Amherst) no. 2, November 2002.

[25] Peter Gowan, 'Crisis in the Heartland. Consequences of the New Wall Street System'. *New Left Review*, 2nd series (55) 2009, pp. 8-9, emphasis added.

society in the West thus slowly assumed the oligarchic profile more and more evident today. Simultaneously, as it removes itself from the need to strike compromises dictated by the requirements of long-term investment, capital also loses its interest in democracy. Of course, the vestiges of post-war class compromise are never entirely obliterated, and public sector unions especially may hold on to certain privileges, just as 1970s-80s middle class formation has entrenched through inherited home ownership etc. But the drift is towards oligarchy, and importantly, along with it, authoritarian rule and foreign adventurism. Because as Charles Kupchan and Peter Trubowitz write, with the loss of domestic class compromise, 'growing disparities in wealth have reawakened class tensions; and political pragmatism has been losing ground to ideological extremism'.[26]

In this light we must now analyse the situation that arose when the one contender to capitalist imperialism, the Soviet bloc, collapsed in 1991, and the West, removing the remaining restrictions on money-dealing capital, adopted a more aggressive international posture under the auspices of the one surviving superpower. This will allow us to understand the formation of the Eurozone and the epochal significance of the Greek rebellion.

Predatory Raiding and War

The collapse of Soviet state socialism and China's transition to state capitalism opened up new hunting grounds for money-dealing capital, both by raiding foreign economies and by engaging in commercial operations notably in the military industrial sphere threatened by the winding down of the Cold War arms race. Operation Desert Storm meanwhile deepened the connections with the orthodox Sunni Muslim monarchies in the Middle East that dated from the first oil crisis and Western-sponsored *jihad* in Afghanistan. Here we see the beginning of how the ascent of money-dealing capital dovetails with the shift from the New Cold War (in which the emphasis was on bringing down the USSR and regimes relying on it) to 'full spectrum dominance' by the West.

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[26] Charles A. Kupchan and Peter L. Trubowitz, 'Dead Center. The Demise of Liberal Internationalism in the United States'. *International Security*, 32 (2) 2007, p. 9. From a critical perspective, Frank Deppe, *Autoritärer Kapitalismus. Demokratie auf dem Prüfstand* (Hamburg: VSA, 2013).

In June 1991 US presidential candidate Bill Clinton was subjected to what the *New York Times* later called a job interview on Wall Street with Goldman Sachs banker Robert Rubin and others, and once elected, he did not fail to include key bankers into his cabinet. Rubin became Treasury Secretary and Richard Holbrooke, whose investment bank assignments included stints at Lehman Bros. and Crédit Suisse-First Boston, became Assistant Secretary of State. The administration's neoliberal globalisation project very soon was enlarged by a more militant defence posture, carrying some of the same signatures. Wall Street bankers and investment funds had become commercially involved in the post-Cold War mega-mergers in the aerospace sector (Lockheed and Martin Marietta, Boeing-Rockwell-McDonnell Douglas, Raytheon and Hughes...), and their interest was typically in fees and price differentials, buying cheap and selling dear. Thus the fast-rising Carlyle group in 1992 bought the aerospace interests of bankrupt Ling-Temco-Vought (LTV) just before Lockheed-Martin got their hands on it, only to sell them again to Northrop Grumman for more than three times what it had paid originally, and many other examples can be given.[27]

NATO expansion, which would require new members to standardize equipment, was another area the aerospace industry and Wall Street shared an interest in. The 'US Committee to Expand NATO' was chaired by the director of strategic planning of Lockheed Martin Corporation, whilst Holbrooke was entrusted with the sensitive Yugoslavia portfolio that saw two NATO bombing campaigns against Bosnian Serb and Serbian targets in 1994 and 1999, respectively. As Holbrooke put it in a 1995 article in *Foreign Affairs*, 'the West must expand to central Europe as fast as possible in fact as well as in spirit, and the United States is ready to lead the way'.[28] Today we might repeat those words for *eastern* Europe as far as Ukraine.

More fundamentally, NATO expansion, in breach of the reassurances given to Gorbachev at the time of German reunification, as well as the bombing, notably, of Belgrade and the bridges over the Danube, were first of all the consequence of

[27] Dan Briody, *The Iron Triangle. Inside the Secret World of the Carlyle Group* [foreword C. Byron] (Hoboken, N.J.: John Wiley, 2003), pp. 46-50.

[28] Richard Holbrooke, 'America, A European Power', *Foreign Affairs*, vol. 74, no. 2 (1995), p. 42. Background in my *Global Rivalries from the Cold War to Iraq* (London: Pluto, 2006), pp. 261-2, 273.

the Anglo-American lead in substituting class compromise in production by the rule of money. It specifically targeted the persistence of the Fordist-Keynesian pattern of capitalism on the European continent. If left to deal with the collapsing state socialisms in Central and Eastern Europe, 'Old Europe', although revamped along neoliberal lines at Maastricht, might be tempted to allow the legacies of planned economies to persist in a new, German-dominated Europe. In addition, establishing bridgeheads among Islamic communities in Yugoslavia fitted into a design to gain access to energy resources in Central Asia left unprotected after the dissolution of the USSR.

Parallel to supporting the NATO foray into the former Warsaw Pact and the establishment, sponsored by the US, Britain, and Turkey, of the GUAM regional security bloc in 1998 (comprising Georgia, Ukraine, Azerbaijan, and Moldova), money-dealing capital also went about raiding the globe on its own. The Mexican crisis of 1994 marks the beginning of a series of short-term investment booms and busts, and the fact that hot money now had a firm grip on state institutions in the financial sphere was brought out when the hedge fund, Long-Term Credit Management, crashed in 1998. Set up by the financier credited with inventing 'proprietary trading' (speculative arbitrage with a bank's own or borrowed money) and two 'Nobel' economics laureates, LTCM was saved by Greenspan's Fed with $3.6 billion of public money. In combination with the handling of the Asian Crisis (a predatory raid on economies that had not yet joined the neoliberal move out of direct involvement of money capital in production) this bail-out 'allowed the financial turmoil to transmute into yet another stock market/housing bubble'[29]

That particular bubble would then lead the capitalist economy into the abyss in 2008. In the process it would also deal a terminal blow to the remaining democratic foundation of liberal capitalist society, clearing the way for authoritarianism and populism. For apart from its involvement in the new wars of the post-1991 period, which already worked to foster the forces of collective hatred and indifference to suffering, money-dealing capital also gambled away the finance-led compromise with the asset-owning middle classes. The techniques of inter-bank lending based on packaging mortgage and other debt

[29] Christopher Rude, 'The Role of Financial Discipline in Imperial Strategy'., in L. Panitch and M. Konings, eds. *American Empire and the Political Economy of Global Finance* (Basingstoke: Palgrave Macmillan. 2008), p. 211.

of different quality into the notorious collateral debt obligations (CDOs), insured by the, by now, equally ill-reputed Credit Default Swaps (CDSs), proliferated especially after 2000. This entailed subjecting the maturation process (attached to real accumulation) of the underlying contracts (paying out a pension, paying back the mortgage, etc.) to the unregulated, short-term market movement of funds through which money-dealing capital, meanwhile the leading fraction of capital, generates its income.

The voracious nature of the latter process is expressed through 'financial deepening', a relentless process of securitization of assets. It was the demand for asset-backed securities (CDOs) by investors which made the derivatives market balloon to $630 trillion outstanding in 2006, fourteen times the value of global GDP; insuring the CDOs into which they had been packed by CDSs rather than by proper insurance, then triggered the collapse of 2008.[30]

The idea of capital evacuating the zones of class compromise was now taken to its logical conclusion by money-dealing capital (with its preference for 'short-term havens in highly liquid assets', that is, physically and/or legally offshore). On the eve of the Crash the parallel universe of off-balance-sheet, shadow banking entities like hedge funds, so often located in offshore jurisdictions and operating beyond regulatory oversight, had grown to a trading volume twice the size of transactions in the regulated banking system.[31] Money-dealing capital operates with complete disregard for the sort of considerations that flow from democratic government, such as employment conditions, social security, and general welfare. Yet whilst it fosters oligarchic enrichment and then seals it off by authoritarian control (just think of the response to the Occupy Wall Street movement in the United States, or to the *Indignados* in Spain), this does not remove it from the sphere of politics as such. For bankers all along had been literate about '"hot money" flows as ... a mechanism by which the financial markets discipline profligate government'.[32] This takes us to the Eurozone.

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[30] Saskia Sassen, 'Conclusion : Emergent predatory logics', in K. van der Pijl, ed. *Handbook of the International Political Economy of Production* (Cheltenham: Edward Elgar, 2015), pp. 536-9. The number of countries where financial assets exceeded the value of GNP rose from 33 in 1990 to 72 in 2006, *Ibid*., p. 535.

[31] François Chesnais, *Les dettes illégitimes. Quand les banques font main basse sur les politiques publiques* (Paris: Raisons d'agir, 2011), pp. 71-2.

[32] Gary Burn, *The Re-emergence of Global Finance* (Basingstoke: Palgrave Macmillan, 2006), p. 89

The Eurozone as a Playground for Hot Money

Varoufakis calls Germany's role in the Eurozone the simulacrum of the Global Minotaur in the global political economy, but a simulacrum in the postmodern sense, so it is the same except that everything is different. If we focus on the period after 1991, when money-dealing capital was abandoning all constraints that Western societies inherited from past compromises, first with organised labour in production and then in finance with asset-owning middle classes, we see Germany fast catching up in the key domains in the transition to predatory neoliberalism.

First, the attack on labour. The incorporation of the defunct German Democratic Republic by the Federal Republic weakened labour's bargaining power now that the workforces of East Germany and the rest of the former Soviet bloc and Ukraine became available to German capital. In the 1990s the annual rise of unit labour costs fell to levels pioneered by the US, to which the Schröder government added the Hartz I-IV reforms of labour law, which left a core of protected labour untouched but disciplined it nevertheless by making the descent into precarious jobs and the reserve army of labour far more painful. Once the euro had been introduced and German industry was protected against competitive currency depreciation, its gains from the fall in wages were made permanent. The beggar-thy-neighbour policies towards the other EU countries then slowly undermined the trade and payments balances of the southern Eurozone member states, which were refinanced through short-term capital movements until the 2008 Crash threw the entire structure into disarray.[33]

The second component of the simulacrum was the new German assertiveness in international affairs. Indeed its first use of the external freedom regained by the restoration of full sovereignty was the extension of diplomatic recognition to the Slovenian and Croatian secessions without demanding prior minorities protection, forcing the other European Union states to fall in line. Of course this

[33] Varoufakis, *Minotaur…*, op. cit., p. 202. Costas Lapavitsas et al. *Crisis in the Eurozone* [intro. S. Kouvelakis] (London: Verso, 2012).

prompted the US response in Bosnia already referred to, and eventually, the joint NATO campaign against Serbia over Kosovo, in which the first signs of a confrontation with Russia and China became evident. Even so, the fact that Germany joined the dissidents in the Security Council over the Anglo-American invasion of Iraq in 2003, and largely kept aloof from the NATO air war in Libya, is important. It shows that although German preferences were consistently overruled by the United States, through NATO or otherwise, the current stalemate in Ukraine in which Germany and France have helped negotiate a cease-fire in the civil war whereas Anglophone NATO powers keep bolstering the regime brought to power by the coup d'état of February 2014, fits into a longer lineage of dissent.

With France on the other hand, the postwar division of labour in which Paris had used its status as one of the occupying powers to contain the inevitable political and economic resurgence of Germany through structures of permanent European consultation, was reversed in the 1990s. This was one reason for France to rejoin NATO's military organisation in the Kosovo campaign. At that point Paris used its advantage in the two key areas that Varoufakis identifies as domains of French superiority in Europe, viz., its policy-making civil service and its highly sophisticated banking sector, for a last hurrah. Indeed the pattern of European structures being erected around German aspirations was to play itself out for one last time when Bonn surrendered the DMark for a common currency.

However, whilst the original European integration process built on the then prevailing format of corporate liberal class compromise in production, and the 1985 decision by Commission President Jacques Delors to complete the Single Market may be read as an uneasy adjustment to systemic neoliberalism, the euro was a project of and for money-dealing capital. The committee consisting mainly of central bankers that worked out the euro project in 1988-89 could not miss the pre-eminence of this form of capital even if it had wanted to—certainly after the European Exchange Rate Mechanism collapsed under the attacks of speculators in the early 1990s. Hence it recommended that the euro's role as a means of exchange would remain confined to the Eurozone, making the euro an investment object first of all. To attract short-term money flows, its interest rate (the sole monetary policy instrument of the European Central Bank), was set just above the US rate.[34]. The anti-inflationary caps of Economic and Monetary Union also were not because of the supposed painful memories of 1920s inflation in Weimar Germany, etc., but because, as noted above, '"hot money" flows [are]... a mechanism by which the financial markets discipline profligate government'.

Thus the German advantage obtained by wage repression in the 1990s was consolidated by the common currency, which prevented the deficit countries from adjusting their exchange rate to compete. After 2004, when the Minotaur's voraciousness appeared insatiable, German trade surpluses boomed, unemployment fell from almost 4 to 2 million and corporate profits increased by 37 percent, whilst its banks along with French and other financial operators were scouring the market for speculative gains on government paper, especially after 2006 when the spread in bond yields among surplus and deficit Eurozone countries increased.[35] In addition, the Eurozone countries followed the neoliberal trend by radically slashing top income tax rates, covering the shortfall by selling bonds, i.e., paying the wealthy instead of taxing them. This obviously fed into the oligarchic trend whilst laying the groundwork for the post-2008 austerity policies, given that in several countries, debt service would soon become the second- or third-largest item in the government budget after education and health.

Thus the simulacrum was made complete. Just as the Global Minotaur lacked a surplus recycling mechanism, forcing deficits to be covered by borrowing, the Germans ruled out a proper surplus recycling mechanism for the Eurozone. This set in stone the obligation of the deficit countries and France to continue providing German exports with demand. When the 2008 Crash happened, the weakest link of the system, the Eurozone, cracked first. That the Eurozone had been set up as a playground for hot money was now brought out for everyone to see, for although there was much sniping at the financial practices prevalent in Wall Street, the City, and their orbit of offshore centres, European banks were actually submerged in money-dealing practices much deeper. German banks, even the reputedly solid *Landesbanken*, on average had a leverage level of 52 in

[34] Chesnais, *Les dettes illégitimes...*, op. cit., pp. 120, cf. 90.

[35] Varoufakis, *Minotaur...*, op. cit., p. 203. M.R Anand, G.L.Gupta, and Ranjan Dash, *The Eurozone Crisis. Its dimensions and implications*. Working Paper, Economics Division, Department of Economic Affairs (New Delhi: Ministry of Finance, 2012), p. 7

borrowed euros for every euro of their own funds, French banks held 33 billion euros in CDOs, and in all, European banks were exposed to the indebted Eurozone countries to the tune of 849 billion euros and to other indebted non-dollar regions at the rate of a further half a trillion.[36]

Redefining the Crash

The Crash of 2008 has mortally wounded the Minotaur, for as Varoufakis details, US demand for the world's net exports, foreign direct investment and financial assets held by foreigners, have all gone into meltdown. Foreign funding of its government deficit is the only remaining lifeline for the US. Paradoxically, confidence in the United States remains because the dollar share of global reserves stood at 62 percent in 2009 and has even climbed in response to Europe's post-2010 sovereign debt crisis.[37]

The world would have slid into a major depression straightaway had not the governments learned the lesson of the 1930s and stepped in to bail out the banks—forgetting Keynes' strictures against speculative finance though. For the Crash interrupted but ultimately did not stem the ascent of speculative money-dealing capital, although it had been at the origin of the debacle. In uncanny resemblance of Nazi Germany when the bankrupt part of capital politically prevailed over its economically more viable competitors, the trading desks of the large banks have largely escaped formal default—but this time, not in one country but in the Western capitalist system as a whole. So unlike the 1940s, there is no new configuration of forces such as New Deal Fordism (or the Soviet planned economy for that matter) waiting in the wings to take over once the predatory neoliberalism of the defunct Minotaur truly collapses.

The socialisation of bank debts raised sovereign debt relative to GDP in five years' time by 51.7 percentage points in Japan, 41.6 points in the UK, 33.1 in the Eurozone, and 27.3 in the US. The UK and Eurozone passed the 100 percent debt to GNP mark in 2011 (the US remained just under 100, Japan's debt stood at 200 percent but is owed mostly to domestic creditors). Crucially however, the bail-outs included restocking the trading desks of the banks with public funds so that the very instruments that had caused the Crash could again be brought into

[36] Varoufakis, op. cit., pp. 200-203

[37] *Ibid*., pp. 226-31.

operation, making governments the prisoners of the high priests of hot money who should have been expropriated by the very principles of market economy. Thus saving the insurance company, AIG, in September 2008 by a $85 billion rescue package in exchange for a 80 percent Federal share, included paying out outstanding credit default swaps at face value, with Goldman Sachs receiving between $12.9 billion and $20 billion according to different sources; Merrill Lynch and its new owner, Bank of America, together 12 billion, Société Générale (France) and Deutsche Bank 12 billion each, and Barclays 8.5 billion, to name only the largest beneficiaries.[38] What else was this but restarting the fatal cycle of speculative arbitrage, the proliferation of CDOs and CDSs that had run aground so completely?

In the Eurozone, which does not enjoy the US 'Kindleberger privilege' ensuring that the rest of the world will continue to fund its deficits, there was the additional problem of the differentials between the member countries and their constitutional inability to defend themselves by devaluation. This in itself fuelled speculation as banks and hedge funds began to issue CDSs targeting the weakest member states such as Greece and Ireland, and as this market grew, it siphoned off capital (supplied to them by the bail-outs) for renewed speculative movement of funds. Sovereign debt was now packaged into CDOs or CDO-like debt instruments; Varoufakis in this light considers the May 2010 Special Purpose Vehicle (SPV), Europe's version of the American Geithner-Summers plan, a straightforward case of publicly funded speculation. Subsequently renamed the European Financial Stability Facility (EFSF), this was not remotely an assistance programme for countries in difficulty, but like its US prototype, premised on the mode of operation of money-dealing capital.

Thus an EFSF loan would be raised on the European money market under a guarantee of the other countries in proportion to GDP (Greece was removed from this market in May 2010). The bond would be packaged with one part guaranteed by Germany, a smaller one by France, the smallest by Portugal etc. and sold to Asian investors and Europe's own quasi-bankrupt banks. These semi-creditworthy assets would then begin to circulate by the billions, 'insured' by CDSs (e.g. a CDS that will pay out when Portugal defaults, and then a price rise of these CDSs will push up the interest rate Portugal has to pay for new

[38] Anastasia Nesvetailova, *Financial Alchemy in Crisis. The Great Liquidity Illusion* (London: Pluto Press, 2010), p. 35.

loans to the point where it has to apply to the EFSF again), and so on. In combination with a 'euro carry trade', in which banks, but also governments of the low-debt, low-interest rate Eurozone countries pursue speculative hedging operations targeting southern Europe, this has created a new money-dealing bonanza that not only absolves the CDO form as such (by reviving it) but allows the banks, insurance companies, hedge funds etc. to continue to create new forms of private money as if the Crash of 2008 never happened.

At the same time austerity policies in order to service the debt are not only blocking a return to social protection for the foreseeable future, but also work to shrink the economy and makes de-leveraging ever-more difficult. Once interest rates would start to climb again, the amount of borrowing due to cheap credit will prove too much for the downsized economies and they will once again be exposed to the vagaries of speculative arbitrage. Already in 2010 the total amount of outstanding over-the-counter derivatives surpassed the pre-crisis level, reaching $700 trillion. And once again Europe is at the heart of the impending storm, as European banks according to the latest figures top the list of holders of derivatives ($ 370 trillion), followed by the US ($ 220 trillion), Asia, $ 40 trillion, and the rest of the world in all, $140 trillion.[39]

Thus the shock-like abandonment of class compromise and the corollary restriction of democracy reached its logical conclusion under the auspices of the form of capital most removed from the social contract, money-dealing capital. That the bail-outs also worked to transmit the moment of crisis from a crisis of speculative finance to a crisis of sovereign debt has completely altered the public perception of the origin of our current predicament. By this metamorphosis, in the words of Chrystos Lynteris, 'an officially sanctioned and governmentally organised Economic Crisis, a structural counter-event ... that ... manages to substitute [the initial crisis] as the true field of decision, as the real crisis', states are being empowered as enforcers of their own downsizing, state aid to bankers is sold as 'saving Greece'.[40] This then feeds into the rise of nationalist populism

[39] Philip Mirowski, *Never Let A Serious Crisis Go to Waste. How Neoliberalism Survived the Financial Meltdown* (London: Verso, 2013) pp. 350-51. Martin Hutchinson, 'Finance sector fading'. *Asia Times Online*, 10 December 2013. http://www.atimes.com/atimes/Global_Economy/GECON-01-101213.html (accessed 12 April 2015). 2014 derivatives figures from *Le Monde*, 6 May 2014. All other economic detail is from Varoufakis' account.

[40] Christos Lynteris, 'The Greek Economic Crisis as Evental Substitution', in Antonis Vradis and Dimitris Dalakoglou , eds. *Revolt and Crisis in Greece. Between a Present Yet to Pass and a*

and neo-fascism, directed against countries in southern Europe now blamed for having been forced to cover, under Eurozone rules, their deficits by borrowing. Absurdities such as 'not one more cent to Greece' are now commonplace also among mainstream politicians.

However, the capture of state policy by money-dealing capital and the concomitant drift to oligarchic authoritarianism, fed by the upward redistribution implied in austerity policies, has graver implications as well. It also coincides with a new irrationalism and adventurism in foreign policy. The depicting of foreign leaders as so many incarnations of evil for not submitting to Western guidance (first Milosevic, then Saddam Hussein and Gaddafi, and now Putin), is a way of projecting repressed hatred of one's own government and the inability to ward off the injustices of painful austerity policies. It satisfies a desire for opposition and enmity in a situation in which domestic dissent has effectively been stifled, which is one reason why such large parts of the left have joined in 'dictator-bashing'. The phenomenon was noted when German troops in World War One committed large-scale atrocities against Belgian life and property, as if to compensate for the fact that in the Second Empire itself any real opposition or substantive redistribution was blocked.[41] Of course an added consequence of this projection of evil on the foreign leader is the mistaken expectation that if only 'he' were out of the way, the society in question would happily and orderly join the West in its selfless campaign for global civilisation.

Thus the overt and increasingly racist disdain for the southern Eurozone countries blends with Putin-bashing and other forms of bellicose consensus. Because they are still entrenched in a corporate liberal class configuration with capital/labour compromise surviving, welfare state elements likewise, and an unbeaten labour movement, Greece and the other southern Eurozone societies are now bearing the brunt of 'reform'. What they are facing today is the full impact of the nihilistic thrust of predatory neoliberalism, the combination of relentless austerity with growing authoritarianism. It suffices to look at France to see what will happen to the smaller countries like Greece should they give up their resistance to these policies.

Future Still to Come. (Oakland, CA: AK Press & London: Occupied London, 2011), p. 210. Chesnais, *Les dettes illegitimes*..., op. cit., p. 12.

[41] Wilhelm Alff, *Materialien zum Kontinuitätsproblem der deutschen Geschichte* (Frankfurt: Suhrkamp, 1976), p. 49.

The French Drift to Authoritarianism

Redefining the bank crisis caused by reckless speculation as a crisis of state finances and sovereign debt, with the attendant rhetoric of clearing the desk, honouring 'our' debts and not passing them on to future generations etc., lends credibility to attacking the remaining structures of social protection. In the Eurozone, the main effort is directed at enforcing predatory neoliberalism, *uncompromising capitalism*. It is here that the Greek stand acquires its true significance. For when prime minister Tsipras made his tour along several southern Eurozone capitals and the newspapers gloated that his ideas had fallen on deaf ears, this was because he encountered government leaders who have already signed up to the worst consequences of the disastrous austerity policy, and who did not miss the chance to demonstrate to their patrons in Brussels and Frankfurt they were committed to stay the course.

The most dramatic alternative to the Syriza stand, and under 'socialist' auspices at that, is France. In contrast to the ultimatums delivered to Athens, Paris for one has been given two years to implement the necessary reforms. This will once again take the form of a 'shock therapy' in the sense of Naomi Klein and cover the entire scale from covert operations to an economic 'war of manoeuvre' against the population at large.[42] But whereas in the meantime we know a lot about the earlier transition from corporate liberal to neoliberal capitalism, including its darker hues, to decipher the current situation the genius of a Costa-Gavras would be necessary to disentangle how economic dogma and undercover operations, constitutional twists and authoritarian impulses, have all blended in a web of deceit that is leading French society into the abyss.

The French Socialist Party has effectively been marginalised as a political force, coming third behind Sarkozy's right-wing bloc and the neo-fascist National Front of Marine Le Pen in the most recent elections. August 2014 already brought the desertion of economy minister Montebourg and his replacement by Rothschild banker Emmanuel Macron. Montebourg had protested the fact that a vote for the Socialists in France had effectively come to mean one for

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[42] Naomi Klein, *The Shock Doctrine. The Rise of Disaster Capitalism*. (Harmondsworth: Penguin, 2007).

Schäuble's right-wing in the German CDU, but his successor wasted no time before writing a neoliberal omnibus bill named after him (the *loi Macron*, the official title of which is of course, 'for growth, etc.') that covers an entire revamping of the social contract that France had lived with for half a century or more. The bill has been applauded by Chancellor Merkel and EU president Juncker alike, but only as the beginning.[43]

This bulky piece of legislation abrogates not just the skeleton class compromise with organized labour or the compromise with the asset-owning middle classes, it abrogates the social contract itself. Key among the bill's provisions is the rolling back of social protection. The labour code (adopted in 1806 under Napoleon) can now be sidelined as employers will be entitled to sign private contracts as civil parties with individual workers, disregarding provisions of the labour code. Compared to that, its provisions on lowering the tax on shares distributed to top management only underline the boost to inequality that the bill aims to provide. Not since liberation in 1945 has a French government dared to engage in such a radical removal of social protection, along with the further erosion of employment benefits, Sundays and holidays worked, and actual wage reductions.

Secondly, the *loi Macron* contains a list of privatisations—as if much remains in state hands in France. Coming on top of crown jewels of French industry already sold such as Alstom (to General Electric), state shares in EADS, GDF Suez, and others, the bill envisages the sale of several airports and notably, the state arms manufacturer GIAT and its subsidiaries (one of which already has already passed hands to German tank manufacturer Krauss-Maffei Wegmann, removing key arms exports from French diplomatic oversight).

In January of this year, when chances that the unabashedly anti-social thrust of the *loi Macron* might still mobilise French society and even sections of the Socialist party against it were still alive, the dramatic events in Paris changed the political mood. The murderous assault on the satirical magazine, *Charlie Hebdo*, with an unrelated hostage-taking in a kosher supermarket, also with deadly outcome, were responded to with a massive demonstration against

[43] All references to the *loi Macron* and the trajectory of its parliamentary route are from Martine Bulard, 'Pour amadouer Bruxelles. Loi Macron, le choix du "toujours moins"'. *Le Monde Diplomatique*, April 2015, pp. 1, 4-5.

violence that resonated across Europe and beyond. Political leaders not necessarily known for their championing of press or other freedoms had themselves photographed, arms locked, at what looked like the first row of a demonstration. In fact as pictures taken from a higher angle revealed, the leaders had just been assembled in a side-street, away from any demonstration and with police on all sides shielding them from unwanted attention.[44]

The fact that the Kouachi brothers, filmed during the *Charlie Hebdo* attack, were being monitored by the French domestic security service, DGSI, as well as the intelligence branch of the Paris police prefecture DRPP, will remain the subject of the sort of speculation that usually follows on the heels of such terror events, since the perpetrators were summarily executed rather than incapacitated or otherwise captured for interrogation. Odd details such as their leaving both their identity cards in the escape car, or any relation with the supposed suicide of a police commissioner in Limoges familiar with the assassins, will likewise remain in the dark. Hollande's call for an end to the sanctions against Russia (with two warships sold that cannot be delivered) and the recognition of Palestine by the French parliament have both been raised as possible triggers for a clandestine operation, but let us thus stay on the safe side and just listen to what the French mainstream media have concluded about the issues raised by the events.

The media in France, which are almost without exception the personal property of individual billionaires and multi-millionaires,[45] welcomed the *Je suis Charlie* demonstrations as if they had been held to demand ... radical neoliberal reform. TV station BFM (property of Alain Weill) called for 'the moment of national unity evoked by what has happened [to] be extended in the vote over this legislative project [i.e., the *loi Macron*], because the signs were there, a sort of

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[44] See the picture in question, originally published by *The Independent*, on my blog for War Is No Solution, http://oorlogisgeenoplossing.blogspot.nl/p/politics-as-theatre.html (accessed 12 April 2015)

[45] Business magazine *Les Echos* is personal property of B. Arnault (richest man of France); the weekly, *Le Point*, is owned by F. Pinault (no. 3); *Le Figaro*, by M. Dassault (no. 6); *Le Monde* and the *Nouvel Observateur*, by X. Niel (no. 7), *Direct Matin* and Canal Plus, by V. Bolloré (no. 10), and then we get the 'less fortunate' M. Bouygues (TF1 and LCI), J.P. Baudecroux (NRJ), Alain Weill (RMC and BFM TV) and A. Lagardère (Europe 1, *Paris Match*, *Journal du Dimanche*). What remains are *L'Humanité*, *Le Canard Enchaîné*, *Le Monde Diplomatique* (from which these data are taken) and ... *Charlie Hebdo*.

consensus on the need to liberalise the economy'. A commentator of the weekly, *Le Point* (owned by F. Pinault, third-richest man of France), actually claimed that the demonstrations were not even in need of interpretation, this and nothing else was what they were held for. 'On 11 January 2015 the French addressed the world and their leaders with a message of dignity and courage, of which the spirit is clear: to get away from denial, the lifting of taboos, and pass from words to deeds. *These principles... will only be credible if they are to be applied also to economic and social reforms*'.

The editor of *Le Point* in the issue of the previous week had already indicated that the shock of the attacks could work out favourably for the Valls government.

> The government of Manuel Valls has come into a strong position to push aside the wailing of the dissidents [*frondeurs*], the lamentations of the trade unions and of all those resisting comprehensive reforms. France needs these to overcome its archaic structures and create manoeuvring room for its economy, for example in the domain of the organisation of the labour market or the 35-hours' working week. To reinforce the liberal wind that was the inspiration for the *loi Macron* and go even much further... we can only hope for France that mr. Valls *will not allow this unique economic "opportunity", offered by the tragedy of the terrorist attacks, to pass him by*.[46]

Anyone familiar with the 'strategy of tension' that in the 1970s helped keep Italy from 'falling' to communist government participation, will recognise the brazen attempt to give a steer to terror events, which of course is not the same as claiming that they were staged with that purpose. Also, the political theatre of the leaders in Paris, the black-helmeted police companies in close formation on the gridlocked *périphérique* around Paris, all remind us of how the Italian state responded to the Red Brigades, the West German state to the RAF, and so on. In order to avoid the *loi Macron* from being subjected to a vote, the government actually used the Fifth Republic's provision that under article 49-3 of the constitution one bill per session can be enacted by decree unless Parliament votes a non-confidence motion—a rule reflecting the emergency conditions of the original constitutional reforms by De Gaulle in 1958 and 1962, and previously denounced by Hollande as 'brutal' and a 'denial of democracy'. Yet this bill also contains provision for 23 further decrees. With even parliamentary

[46] P.-A. Delhommais in *Le Point*, 5 February 2015, like the other media statements taken from Pierre Rimbert, 'Loi Macron, obscur objet du désir', *Le Monde Diplomatique* , March 2015, p. 2 (my emphasis).

democracy thus suspended, the bill has moved to the Senate (its president greeting it as a 'masterpiece of pragmatism, free from ideology') and on return for the second reading will still be eligible to being passed under 49-3.

Within Europe, the French case illustrates the ascendancy of predatory neoliberalism, combining the oligarchic pursuit of commercial-financial profit with mounting authoritarianism. The post-2008 political culture has abandoned any pretence to winning populations for political projects other than straightforward manipulation, as the radical erosion of class compromise reduces the field of politics to back door operations or worse. The threat of international terrorism itself combines with the absence of democracy and accelerates its demise through 'law enforcement, intelligence gathering, and covert operations—activities that entail bureaucratic coordination, but not national mobilization'.[47] Simultaneously the heightened sense of society being under attack is expressed in the steady rise of the National Front, from 4.8 percent in the elections of 2008, via 15.1 in 2011, to a quarter of the vote in the first round in March 2015. This takes us to the Greek rebellion.

A Social Contract Beyond Capitalism

If social cohesion rests on cumulative compromise anchored in production, the successive impacts of the abrogation of the compromise with organised labour and the surrender of public and middle class assets to securitization run amok, have obviously gravely undermined it. As neoliberalism has come under the spell of the predatory variety championed by money-dealing capital, the very idea of a domestic class compromise is being replaced by a tentative compromise achieved horizontally, within 'a network of transnational financial elites, who often elect politicians and run governments from behind the scenes'.[48] Austerity policies propagated across the West may be interpreted as the expression of this transnational consensus of the oligarchies that have drained worker, public and middle class assets and income and turned it into private hoards managed for them from offshore centres.

[47] Kupchan and Trubowitz, 'Dead Center...' op. cit., p. 29.

[48] Ismael Hossein-Zadeh, 'A world war between classes, not countries'. *Asia Times Online* , 9 June 2014, http://www.atimes.com/atimes/World/WOR-02-090614.html (accessed 11 June 2014)

The election victory of Syriza in Greece is not the first expression of discontent about neoliberalism; the rejection of the so-called European Constitution by referendums in France and the Netherlands in 2005 predated it. But the Greek vote came well after the epochal 2008 Crash and has produced a functioning government as its concentrated expression. Its minister of finance has produced, as I argue above, a compelling analysis of why the global structure that from the 1980s has been the driver of international industrial and financial activity, has collapsed. Within a neoliberal capitalist universe, there are no solutions left. That is why Syriza, in alliance with the anti-austerity, conservative AN.EL. party (the 'Independent Greeks') which holds the defence portfolio, have explicitly foregrounded the contradiction between democracy and the neoliberal line pursued by the EU authorities (who of course have no mandate that can remotely be called democratic).

Instead of proceeding on the assumption that a class compromise can still be founded on the carcass of a defunct economic system which through its successive configurations has seen its social vitality flow from it, the government therefore faces the task of *rewriting a social contract beyond capitalism*. One might state things grandly by saying that not since the revolutions of 1917, 1949 and 1959 has this been the case, but then, the Russian, Chinese and Cuban revolutions, along with North Vietnam and North Korea and so on, immediately found themselves entrenching against the strongest configuration that capitalism has produced, the corporate liberal one that only began to crumble in the 1970s. This time the capitalist system as such has run aground although its imperialist arsenal remains intact, financed by the one feeding channel of the Global Minotaur still functioning, the purchase of US government bonds.

However, Syriza is not leading a revolution but a rebellion. Because the centre parties (left or right), both in Greece and in the other countries, have all surrendered their programmes to the EU's neoliberal line, Syriza and its small ally have mounted this rebellion on their own, with a democratic mandate few current EU governments enjoy. Should they be forced to capitulate, this mandate will have proven to be null and void in the face of the market discipline of capital upheld by the IMF, the EU and the European Central Bank, so democracy in Europe would be formally declared as no longer in force.

So what is the content of the actual economic proposals that Greece can make to steer clear of the currently ongoing destruction of its society? Here Varoufakis in his book already sums up the steps to be taken.[49] First, the absence of a surplus recycling mechanism at the Eurozone level must be addressed because it is the root cause of the indebtedness of the economies unable to compete with the surplus countries led by Germany, which as we saw locked in its competitive advantage obtained by the Hartz reforms with the euro itself. Once that construction defect is recognized, a substantial portion of the debts must be written off, not only because this would correct a widely predicted design fault and hence be an ethical gesture of minimal European solidarity, but more importantly (given that such solidarity is fiction anyway, certainly after the transformation from bank to sovereign debt crisis) because if not, the crisis will continue and grow worse.

Secondly the ECB should take on its books the debt of the Eurozone countries to the level of the 60 percent Maastricht limit, finance it by Eurobonds at its own liability and at the (lower) rate covered by the Eurozone as a whole. For any remaining loans the member states would sign themselves.[50] This would alleviate the plight of the deficit countries, but also finally bind the surplus countries to the project too. Germany after all can still walk out of the Eurozone today, whereas once it would be bound by the ECB's obligations through Eurobonds, this is no longer an option. Thus it would acquire an interest in making the Eurozone work not just for German capital and its allies but for all.
The third step would be to involve the European Investment Bank into the process of reconstituting the economies of the Eurozone as going concerns. One might want to add here, place these economies on an ecological and socialist footing, but that is not expressly addressed in Varoufakis' proposal. He does note though that the EIB has double the capacity to invest in profitable projects than the World Bank has, but it is not functioning because a country must cough up a proportion of the total investment itself, which the deficit countries are no longer able to. Should they be allowed to draw on the EIB and finance themselves with Eurobonds, however, a surplus recycling mechanism would be in place.

[49] Varoufakis, *Minotaur*…., op. cit., pp. 209-11.

[50] Simultaneously with the first edition of Varoufakis' book, the plan for Eurobonds was also floated by Belgian economist Paul De Grauwe, *The Governance of a Fragile Eurozone*. CEPS Working Document 346, 2011.

So why doesn't this or something like it happen? Because as Varoufakis explains in his book, that would rob Germany and the surplus countries of their bargaining power against France and the deficit countries. Indeed according to the participants of an *Economist Intelligence Unit* meeting in Athens reported by Jacques Sapir[51], the aim of the harsh treatment of Greece is not to repair anything but to make it an example to

> the countries of southern as well as of northern Europe, in order to figure out up to which point it was possible to impoverish a population and to destroy its middle class. The effect of exemplarity being sought aimed at convincing union organizations in other countries and political parties that it is better to accept a relatively orderly dismantling of social legislation (as is happening in France for instance with the *loi Macron* but as is also happening in Italy) rather than finding oneself in the situation of Greece or of Spain.

In addition Sapir suggests that the 'demonstration' being played out here is also to ensure that austerity is locked in in current economic policy to avoid that the surplus countries, in the absence of a federal budget at the EU level, become permanent sources of subsidy for the weaker economies of the Eurozone. However, Sapir's analysis itself makes clear that the ultimate imposition of discipline is not a matter of northern against southern Europe, but of the dominant fraction of contemporary capital on all of them—as was so abundantly evident before the Crash of 2008 was transmuted into a sovereign debt crisis.

Acting on behalf of the forces that gave us predatory neoliberalism, then, the surplus countries have every reason to break the resistance of the Syriza government and a possible Podemos one in Spain. Hence, 'the policies put into place in order to "save the Euro" reveal themselves to be both inefficient and to be a profound and constant denial of democracy. They are provoking an ever more violent polarization of countries against others.' This is why the report on the Varoufakis family residence in *Paris Match*, the hobby horse of French aerospace-turned-media heir Arnaud Lagardère, may in hindsight be only the most innocuous of traps set up to ensnare the Greek government. More will follow.

[51] Besides Sapir, involving Giovanni Dosi, Andreas Nölke and Henk Overbeek, http://russeurope.hypotheses.org/3640 (accessed 18 March 2015)

Varoufakis' book is a sombre but inescapable prophecy about the fact that a resurrection of a functioning capitalist order is remote if not impossible—instead we must count with strong forces seeking to impose authoritarian solutions, in combination, inevitably, with the ongoing carnage under the banner of the War on Terror and the adventurism on the Russian borders that the Obama administration has added to the brew. One only has to read back the summary account given above of the array of forces involved through their strategic elites in the 1970s turn to neoliberalism to get a sense of how the most vicious forces a dying system produces, today must be counted on to be mobilising against Greece.

Whether the Syriza government succeeds (first of all in retaining the confidence of the majority that voted it in) or not, its very formation, the rebellion it has launched against the absurdities of a collapsing order, and the response to it, have already made history. Their stand is testimony that today, nothing less than a social contract beyond capitalism is on the agenda.