



Economic Update: Yanis Varoufakis on the Changing World Economy

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Richard D. Wolff (RDW): Welcome, friends, to another edition of Economic Update, a weekly program devoted to the economic dimensions of our lives and those of our children. I'm your host, Richard Wolff. I begin, as usual, reminding you that Charlie Fabian is awaiting your suggestions for which we are grateful and which we use in building our programs. And once again, charlie.info438@gmail.com is the way to communicate your ideas, suggestions, and criticisms to us. I also want to remind you of the three books that we have produced over the last several years. *Understanding Marxism*, then *Understanding Socialism* and just released *Understanding Capitalism*. You can find out more about each of these books at our website democracyatwork.info/books where they are all available. And finally, I want to note, as you'll see, that this program is partly in honour of Labour Day, which happens early in September of every year and is an opportunity for us to give recognition to the process of work, to the organisation of work and to the organisation of labour unions to represent workers that doesn't get the attention it deserves most of the time the rest of the year. So I'm going to start with a strike that began on the Sunday before Labour Day. And maybe continuing depending on where you are. It has to do with hotel workers. The people who check you in, check you out, clean the room, clean the facilities, make it an experience you look for and remember, rather than one that makes you remember in the other sense of horror. These are very hardworking people. They are not well-paid in general by the standards we hold up and they work at something that makes the rest of us comfortable.

And before I jump into the strike 10,000 of them have just launched in these early days of September, I want to talk about this strike of the auto workers many months ago, where they did something extraordinary. They urged everybody and they made sure for themselves that all their contracts end the last day of April of 2028. That might seem like a terribly long time from now, but it isn't. Labour union contracts typically run 3 to 5 years. That's about four, three and a half. Now it's really important to understand the point of that. If they all come due at the same time, then the power of saying, look, we're going to go on strike because you don't meet us halfway as workers when they speak to management – that argument goes a lot

further when it's lots of workers that are going to stop working on that day. Every strike is a struggle that has costs on both sides. The company doesn't make profits if the workers are on strike. That hurts the company. The workers don't get paid when they're on strike. That hurts the workers. And the idea is that mutual pain will lead them to make an agreement to compromise enough to reach an agreement that will stop the pain for both of them. That's, by the way, why, as I'll come to later in the program, unions don't want the government to intervene, as it just has in Canada with this strike of the two major railroads. There.

All right, let's come back. What's going on? The hotel workers across America, – 10,000 of them in about 19 different cities – don't want to continue working in the way that was forced on them during and after the pandemic. At that time when hotels were having a lot of difficulty getting people to come there for health reasons, they took it out on their workers. When the pandemic eased and was over, they didn't hire back all the workers that used to work. They hired back a small portion of them and told them they now had to do the work that used to be done by many more employees. That was good for the hotels. They saved on all those wages to those workers they didn't hire back. But it was horrible for those who didn't get hired back, needed and wanted the job. They, too, had been hurt by the pandemic. And so they waited for a while, gave the hotels a chance to get their occupancy up to make money so that they could return to behaving decently towards their workers. But they discovered, as workers so often do, that the employer saw an opportunity and grabbed it. So the conditions didn't get better. Yeah, the profits went back up. Hotels have had their best year in the last year since the pandemic, outdoing the last year before the pandemic. They're back up, but they don't want to share that with their workers. Isn't that their usual behaviour? Pretty much. And so they're going to have to be forced to and the workers said we will go on strike if you don't improve the conditions. They've been bargaining for this for many months. The companies didn't come across. Okay, so now there is a strike. And what's going on is another move like the autoworkers towards a general strike. In the past, the hotel workers have struck one hotel or another. This is the first time you have a nationwide strike against 19 cities, maybe 21 by now. And it involves, as I say, 10,000 or more workers. This, too, is a movement towards what? A movement towards a moment when all the workers in an industry like hotels or in an industry like automobiles or in whatever other industries can join the process in which the workers understand if they all do something together at the same time, they will have much more power to get the result they're looking for than if they don't get together. And you know what? That is a recognition of the power of people getting together. And that's what unions always were. That's what they are now. Only they're beginning to understand that if they can't get the kind of jobs, job conditions, income, security that they need individually, maybe they have to all get together. Maybe instead of a strike at an individual workplace, it's a strike in all of the similar workplaces within an industry. And if they can't use that degree of organisation to win, well, maybe they have to do what is called in the history of the labour movement, a general strike where everybody goes out. When you can't get the needs met any other way, you move to a general strike. Interestingly, after two and a half years of struggle, maybe more, depending on how you count, but certainly since last October, the horror in Gaza, the war between Israel and the Hamas organisation, has led to a movement in Israel getting stronger by the week against all

of this in favour of a cease fire, in favour of that as a way to get the hostages returned. And when that didn't work, and when the people even going out into the streets week after week, they appealed over the Labour Day weekend to the labour movement in Israel, which responded by saying: okay, Monday, our Labour Day is not the same holiday in Israel – the workers of Israel went out on a general strike for the ceasefire, for the return of hostages against the government of Benjamin Netanyahu. Very clear, massive demonstrations, closing Tel Aviv, etc.. The general strike is in the air there and here.

My next update has to do with a merger being fought out in the courts. The government is against it. The two largest supermarket chains in the United States: one named Kroger, the other one named Albertsons. And they have many other names because they hold on to the names of the companies they've bought. But those are the two largest supermarket chains. They want to merge. If they merge, Kroger has offered \$24 billion to buy Albertsons. If they merge, they would have 5000 stores and 710,000 employees. They would be the third largest retailer in America after Amazon and Walmart. You see what's happening? The merchants are becoming monopolised. They're going to be able to go to all the food producers and say, We're the three companies that buy all your food, since Walmart and Amazon now provide food too, to all of the people who order through them or buy at them. So they'll be able to tell all the farmers and all the food providers, we're going to pay you only this little bit, because you have to sell to us because there's hardly anybody else left. And they'll say to us, to the public, you have to pay a lot because where else are you going to go for your groceries? There'll be both monopsonists and monopolists, the two sides of the market controlled by them. That's where capitalism leads. Keeps having antitrust movements. You know why? Because it keeps creating trusts that's built into the system. Just as the failure of antitrust means we have Amazon, Apple, Walmart, and now this merger. It's part of the way capitalism works. And part of the reason you ought to think critically about it.

Now back to those railway workers, the two big unions in railroad in Canada who 5] do a lot of movement between Canada and the United States, about a third of their business is cross-border movement, particularly of oil, gas and raw materials that Canada exports to the United States. 9000 workers are involved. They went on strike for all the reasons unions do. And the government came in and used the law to force them back to work. In other words, the profit loss to the company and the wage loss to the workers was not going to be left to produce a compromise. No, the government was going to force something. And now the question is whether the Teamsters union, who represents most of these workers, will allow the government to force something on workers. Let's see. And let's wonder what is going on and what is achieved by those railroads who avoided a strike by having the government come in and force under pain of arrest and fines workers to do something that negotiation didn't achieve.

And my last quick comment about labour is that there is a pizza joint in Brooklyn called Barboncino – 19 or 20 workers – and guess what? They just unionised. They just went to the union at Starbucks, which organised Starbucks, and said: We want to join, we don't do coffee, we do pizza. And you know what's interesting? For decades I've heard you can't organise

little shops. You can't organise fast food. Well, they are. They did it with Starbucks and now the pizza joints, of which there are Lord knows how many across America, they too are recognising they need collective organisation to be treated properly. Stay with us, friends. We'll be right back after the break.

Friends, as you know, any project like this takes money and we don't want to bore you or burden you. On the other hand, you, our audience, are the source of our funding, and we wouldn't have it any other way. If you can please consider making a donation. It will be enormously appreciated.

Welcome back, friends, to the second half of today's economic update. I am very, very happy to bring back to our microphones and our camera, Yanis Varoufakis, a friend of mine now for quite some years, an economics professor, a bestselling author, and who was also Greece's finance minister back in the momentous period of 2015. He co-founded the Pan European Movement, DiEM25 and the Progressive International. His recent book *Technofeudalism: What Killed Capitalism* suggests that we are living in a new form of capital provoking a new Cold War. So first of all, Yanis, thank you very much for joining us.

Yanis Varoufakis (YV): The pleasure is always great and all mine.

RDW: All right. I want your wisdom. I really do want to ask you these momentous questions. I know we don't have all that much time, but I would like sort of the essence, if I can, of your thinking about it. Is it your view, as it is of many others, that the world economy is now disintegrating from what it was, dominated by the United States, with its European allies, etc., and becoming a two-bloc-system, namely G7, more or less on one side and BRICs more or less on the other side? And so that the whole world, in a sense, is adjusting to this transformation of what was for a century and is no longer. Does that fit your view or not?

YV: I think that we progressives, we on the left, over exaggerate the importance of the BRICs, while Washington, the establishment, the radical center, call them what you may, underestimate the BRICs. Look, we're Marxists, Rick. So this talk about blocs and about the clash of the titans leaves me rather cold. What I find very interesting is the class war within China and the class war within the United States. So let me put it this way. If you're an aluminum producer in Shanghai or Shenzhen, you are completely tied up to the dollar payment system and to the American deficit, which fuels the demand for your aluminum. And you really don't want any clash between China and the United States. If you are an American blue collar worker whose job in life is jeopardized by this recycling of surpluses – surpluses produced by the Chinese protectorates that end up in the rentier sector of the U.S. economy, while blue collar worker jobs are sacrificed in the United States, it's very easy to take sides on this. What I think is profoundly important is the manner in which what I call cloud capital, the Internet based technologies, digital technologies of the Chinese companies – state and private – how that cloud capital has merged with Chinese finance capital to create what I call cloud finance in China. Because that is a clear and present danger to the predominance of the dollar payment system. And the reason for that, and I think you

understand this better than anyone else, is because in the United States, there's no technological problem in merging cloud capital into finance. But there is a political problem. Wall Street is never going to share its capacity to print money with the big tech brotherhoods, also Silicon Valley. And that is where the Chinese are a clear and present danger to the hegemony of the United States.

RDW: Okay. Is there a war coming? Is the United States, when you look at the United States, for example, in terms of the South China Sea, of Taiwan, all of this noise of what looks like to most of the world as a provocation of the United States trying to stop or undermine Chinese development – is that a war generating conflict?

YV: Yes. We are living in Europe. The European Union is no longer a peace project. It's a European war union. You can see that the only thing they're talking about is common procurement, common armies and all that, and that is given that the European Union's completely dependent on the United States. It reflects the war footing of the United States. But I'll go back to the conclusion to my previous answer. Why is it that suddenly Chinese development is a threat to American hegemony and therefore this is leading even to a nuclear war over Taiwan, primarily? The reason is the development of what I call cloud finance in China. Because there's only one reason why the United States remains hegemonic. The monopoly over the national payment system, the dollar system. Now, if they're about to lose that, they are going to lose the capacity to project power in the four corners of the earth. And they will start the nuclear war to prevent losing that monopoly. And therefore, I very much fear these developments in China, which the Chinese have every reason to carry on and carry out. Why should they submit themselves to the monopoly of the dollar payment system? Why should, you know, the Emiratis or the South Africans or the Congolese submit to the predominance of the dollar payment system where the United States government can confiscate billions and billions at will of whoever it doesn't like? But the United States will nuke itself if it needs to do it in order to preserve its dollar monopoly. So, yes, I very much fear that Taiwan, which has nothing to do with Taiwan, is going to become a very possible and a very likely point of conflict that may ignite such a war. So we need to take out our banners, our antiwar banners and take to the streets all over the world to prevent it.

RDW: As a European, as the head of a European movement of importance, where is Europe in all of this? Is Europe simply no longer a major player in this whole scenario as it evolves? Is there a chance for this to change? If your answer is yes, how does Europe fit into the picture you've just painted?

YV: It is a stupid continent. We here in Europe, under the auspices of our troika, our very shady form of pan-European government, with which I had some dealings when I was in the ministry, in the finance ministry here in Greece, they've effectively committed suicide. Europe is irrelevant, absolutely irrelevant. And allow me to give you just two examples because we don't have much time, I could be talking about this forever with a little pain in my heart as a European. First example: if I'm right in my hypothesis, which you mentioned, the book in which I have outlined the Technofeudalism, if I'm right that there's a new form of

capital called cloud capital, which is a produced means of behaviour modification, not a produced means of production, that that is becoming the main instrument by which surplus value is accumulated. It is effectively siphoned off from the industrial sector. If I'm right, and therefore the powerful today are those who own large quantities of cloud capital. Who owns cloud capital? Americans and the Chinese. Zero cloud capital in Europe. Zero. This is why Volkswagen is finished, it's kaputt. Because Tesla is connected to the cloud. BYD is connected to the cloud. Volkswagen is not. And therefore it's going to simply fade away. It will be like British Leyland in Britain, something that some oldies like us, you and me remember. That's one example. Second example: imagine, and I wish it happens, but at the moment it stays in the plane of the imagination – imagine that there was tomorrow at the United Nations or somewhere else, a peace process in Ukraine. We know who would represent Russia – Putin. Ukraine – Zelensky. The United States – Biden, if he's still capable of engaging with anything, or Kamala or Trump or whoever. China - Xi. India – Modi. Who's going to represent Europe? Once upon a time, ten years ago, five years ago, six years ago, we would have said Angela Merkel, who was a very powerful German chancellor. Today, the German chancellor is not even in control of the German government. The French president is a lame duck and he has completely lost it in every sense of the way. The people who are actually running the show in the European Union when it comes to foreign policy are the Estonians, the Lithauenians, the Polish, who actually want a war with Russia tomorrow. They're war mongering idiots, who are, you know – if they had a button to press to destroy Europe – they would tomorrow morning. So there's no such thing as Europe. Europe has become a figment of our imagination, which is extremely dangerous because we remain the most wealthy continent in the world. A very cultured continent, a continent with 500 million people, and yet we are irrelevant. And that is a clear and present cause of instability worldwide.

RDW: This leads to my next question, which you are kind enough I asked you beforehand to answer. We have had a government, I think it's fair to say, by center right more or less occasionally oscillating with a little bit of center left. But then the catastrophic loss of the conservatives in England a few months ago, then Macron's defeat in the Assemblée elections, after that – and now, a few days ago, the victory, which I noticed was on the one hand, Alternative für Deutschland, the right wing party, in Thuringia, but on the other hand, if you add up Sahra Wagenknecht, Social Democrats and Die Linke, that's more votes, you know, percentage wise – more Germans voted for those three left parties than voted for the right wing. Even though here in this country, only the right wing's growth is given any kind of attention. How do you understand these election movements? Is there something changing inside Europe?

YV: We are experiencing a postmodern 1930s. We have the complete collapse of the left, of the progressive parts of the bourgeoisie. They are in retreat, as is the left. I wish I could be as optimistic as you about the performance of the left and the additions that you mentioned. I would never add Die Linke with Wagenknecht and the SPD. The SPD is a purely austere party. Let me remind you that austerity in Europe was introduced not by the Christian Democrats, but by the Social Democrats in 2008, 2009. It was the Social Democrats when I

was dealing with the German government, and it was a coalition of Christian Democrats and Social Democrats. Because the Social Democrats were worse than the Christian Democrats. More austere and more class warriors against the working class, on behalf of the working class, on the basis that if the working class reduces its wage share, that will be good for competitiveness. I mean, when a Social Democrat says that, you know, you just lose the will to live, right? So I would not add the SPD to the rest of the left.

Now, Sahra Wagenknecht is a formidable, very smart, very impressive woman. She is married to Oskar Lafontaine, a great figure on the left. I know them personally. And that's why I'm so depressed, because Sahra Wagenknecht managed to rise up electorally, and did quite well for a newcomer, by adopting a racist agenda. So this combination of pro-labor, but not in a Marxist way, in a kind of populist way. You know, we need to increase wages. We need to give more subsidies to existing industries which are dying anyway, instead of finding a way of creating a Green New Deal. There's no Green New Deal with Sahra Wagenknecht. It's an old laborist agenda. And grafted on that old labourist agenda is racism, you know, targeting immigrants, talking and adopting the ultra-rights agenda for controlling immigration and blaming it on the immigrants in East Germany, which has no immigrants, by the way. There are no brown faces in this Germany, which is where the anti-immigrant feelings are maximised. We see this in the United States. We see the most anti-immigrant feeling is cultivated where there are no immigrants, which is not at all a contradiction. So essentially, to wrap this up, we have a kind of socialist nationalism in Sahra Wagenknecht, which I always argued is not a good response to National Socialism. As with Britain! Britain seems to be the outlier. You know, the center left triumphed. Well, firstly, it didn't triumph. It is the 'first-past-the-post'-system which created this abnormality, this anomaly, this huge majority that got fewer votes than my friend Jeremy Corbyn got in 2019. But as we know from the United States with 'first-past-the-post', you can have really very anomalous results. But if you look at their policies, forget about the vote. The policies are straight out of the Thatcherite, Neoliberal Troika in Europe, a Republican or if you want right-wing Democrat playbook. Austerity! This government, under the Labour banners, is talking about cuts in expenditure. Why? Because the credit card of the state has been maxed out. I mean, my goodness, Cane is spinning at 4000 revs per minute in his grave. So no, there is no good news, I'm afraid.

RDW: All right. Last question that we have time for, and we've run out of time, what do you advise fellow socialists to do?

YV: Well, never give up. It's really very simple. And always maintain an internationalist approach. It's not America versus China. The trade wars are class wars. What is good for the working class in China is good for the working class in America. In Britain. And the opposite holds what is good for capitalists in Shenzhen and in Shanghai is music to the ears of Rentiers in Miami, in Wall Street, in Switzerland, in Davos.

RDW: Yanis Varoufakis, thank you very, very much for your time. I'm sorry if I brought your summer vacation to a shorter length than you might have wanted, but you deserve your rest and we need your work as much as we always did. Thank you very much.

YV: Thank you, Rick. And keep going.

RDW: Thank you. And you, too. And as always, I look forward to speaking with you again next week.

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