Being Greek and an Economist while Greece is Burning! An intimate account of a peculiar tragedy

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Abstract

The crisis that erupted in Wall Street in the fall of 2008 has had some bizarre side effects. One of them was to push small, inconsequential Greece onto the front pages of the world's leading newspapers and make it a permanent feature in the nightmares of peoples and policy-makers worldwide. Another was the paradox of amplifying Greek voices during the country's economic implosion while, at once, denying them analytical authority over their predicament. The paper is a personal account of this paradox as experienced by a Greek economist who also lives through another, more personal, paradox: despite his portrayal by the media as an "expert," he has been advocating that economists, independently of their intelligence or personal ethics, belong to a sinister priesthood purveying thinly disguised (and heavily mathematized) superstition as scientific economics.

Introduction

As an economist who, atypically, looks up to historians, philologists, and anthropologists as species higher up on the evolutionary chain than us economists, I am chuffed to be here tonight, especially in a humanities audience afflicted, either by choice or circumstance, by the same condition as myself: an inescapable Greek-ness. I shall try to repay your trust with an intimate story of a most peculiar condition, a story that unfolds at the intersection of multiple failures of which the Greek implosion is just one.

Let me begin at the beginning. I arrived in Britain as a green-behind-the-ears Athenian radical, to study mathematical economics at Essex University. The year was 1978. A few weeks later I was to experience my first life-changing failure. It occurred when I realized that my plan to read economics, so as to become fluent in the language of the powerful, could not be carried out. I found it such a morose subject, so bone-crushingly boring, so much reliant on

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third rate mathematics, that after the second week of the first semester of my first year, I thought to myself, why study inane metamorphoses of third-rate mathematics when I could study first-rate, aesthetically pleasing, ideologically unproblematic mathematics? So, I immediately transferred to the School of Mathematics.

Several years later, well on my way to a master's degree in mathematical statistics, I thought that my escape from economics had been complete. That, ladies and gentlemen, was my second failure of perception. For while looking for a thesis topic, I stumbled upon a piece of mathematical economics that angered me so much, with its gross conceptual sloppiness hiding behind mathematically sophisticated tools, that I set out to demolish it. That was the trap. And I fell right into it.

From that moment onwards, a series of anti-economic treatises followed, a PhD in economics was awarded and, naturally, job offers from economics departments started coming. In every one of the economics departments I served, in England, in Scotland, in Australia, later in Athens, now here in the United States, I enjoyed debunking that which my colleagues considered to be legitimate "science" all at the price of a life which can only be compared to that of an atheist theologian ensconced in a medieval monastery.

Many more failures followed, forming a tapestry on which the usual mélange of life, career, calamities, hopes, family, and fears were laid out year in and year out. Put together, these failures contributed to a certain clarity of vision, I hope. As Claude Lévi-Strauss once put it, our only chance of genuine insight is when our analytical reason fails, is tensed by failure, and is roused to action so that it can transcend itself.

But who am I kidding? Whatever stories I am telling myself in lieu of self-consolation, the truth is that I would not be here, as your honored guest, if it were not for Greece's hideous economic failure in 2010. Without it, without our leaders' inane handling of an inevitable economic crisis, no Greek economist would be delivering a keynote speech at the MGSA.

Speaking of "Greek economist," let me say that ever since I ended up an accidental economist back in the 1980s, I always thought of myself as Greek and as an economist, never as a "Greek economist." Indeed, before Greece's 2010 collapse, never had I published a single page on Greece's economy. I found the topic too sad and of little interest. My research was either utterly abstract, somewhere along the frontier of game theory and economic philosophy, or focused on almost every other country except Greece. But when Greece proved the canary in the European mine, whose near death propelled it onto the front pages of the world's leading newspapers, the global media spontaneously created a new species of commentator: the "Greek economist." Meanwhile, I had a message for the media that they found intriguing. So, suddenly, I was on the BBC, on CNN, etc., with a running subtitle: "Greek economist." Thus I was treated to the dubious promotion from a decent, second-rate economist to a top Greek economist.

In a better, more rational world, little inconsequential Greece would not be a permanent feature in the nightmares of peoples and policy-makers worldwide; I would remain a decent second rater within my profession, and unheard of beyond it; and you would be enjoying a keynote from someone else. An historian. A sociologist. A novelist, perhaps. As it happens, Greece remains in the eye of an economic and social calamity; and you are about to be treated to a talk about the tragedy of being Greek and an economist by one who still refuses to think of himself as a "Greek Economist" and who, despite his portrayal by the global media as an "expert," has never stopped saying that we economists, independently of our intelligence or personal ethics, are no experts, but that we belong to a sinister priesthood purveying thinly disguised, heavily mathematized superstition as scientific economics.

So, sit back and allow me to immerse you in my tale of multiple, gross, but, hopefully, insightful failures. A condition that is strangely compatible with the one we all share: Greek-ness.

The trouble with economists

Some of you may be puzzled with my swipes at my own profession. So, let me explain what is wrong with economics. If you open up any leading economic journal, you will find that, aesthetically, it looks indistinguishable from a leading mathematical physics journal. The same indecipherable mathematical symbols, similar language full of expressions such as "Under fairly general conditions Corollary 23B provides the proof of Theorem 3.2"; the same structure even: theorem, proof and, finally, empirical evidence that is manipulated via sophisticated statistical methods to provide supposedly dispassionate judgment on the theorem's empirical validity.

But there is a difference: in physics, the proof of the pie is in the eating. In economics, the pie is judged by its bakers and there is no proverbial eating. In physics, there comes a point when Nature, who gives not one iota of a damn about our theories regarding its ways, will pass judgment on the physicist's hypothesis in the lab and under the conditions of a controlled experiment. In the case of economics, because of the lack of a macroeconomics laboratory, there is no empirical observation that cannot be retro-fitted into any economist's theory, thus rendering her theory impervious to evidence. Econometrics is, believe me, the art of torturing data until it fits into *any* economic model one happens to have faith in.

As if that were not enough, the social phenomena under study are heavily influenced by the dominant paradigm to which dominant economic theories are major contributors. Social reality is thus insufficiently independent of our economic ideology and, therefore, is ill suited to pass judgment upon it. Which means that terrible theoretical predictions can be confirmed, as long as key economic players believe that they will, and similarly, that good theories may be rejected, again because key players believe in them. But this rules out the empirical verification or falsification of economic theories, unlike in the proper sciences.

Allow me to enlist Evans-Pritchard, the renowned British anthropologist, in order to explain more graphically how it is that economists lose not a smidgeon of their discursive power despite their pathetic incapacity to predict economic crises or, indeed, to say anything useful about really existing capitalism. In his study of the social dominance of the Azande priesthood, Evans-Pritchard asked a fascinating question: How did the priests and oracles retain their hold over the tribe's imagination given that they consistently failed to predict or avert disasters? His explanation of the Azande's unshakeable belief in their oracles goes like this:

> Azande see as well as we that the failure of their oracle to prophesy truly calls for explanation, but so entangled are they in mystical notions that they must make use of them to account for failure. The contradiction between experience and one mystical notion is explained by reference to other mystical notions. (Evans-Pritchard 1937:338)

Economics is not much different. Lacking a macroeconomics laboratory, when economists fail to predict some pivotal economic moment—which is always, as for instance in the Crash of 2008—that failure is accounted for by appealing to the same mystical economic notions that failed in the first place. Occasionally new notions are created in order to account for the failure of the earlier ones. And so predictive failure leads to more, not less, social power for the economists who are entrusted by society to offer scientific explanations of their failures. For example, the notion of *natural* unemployment was created in the 1980s in order to explain the failure of the market to engender full employment and of economics to explain that failure. More generally, unemployment is "proof" of insufficient competition, which is to be fought by the magic of deregulation. When deregulation does not work, an extra potion of privatization will do the trick. If this fails, it must have been the fault of the labor market, which is not sufficiently liberated from the spell of trades unions and government social security benefits. And so on.

So, the economists' success, just like the success of the Azande's priesthood, boils down to the fact that it is allowed to offer full explanations of its own failures *without ever being challenged on its assumptions or on its priesthood's competence*. This is of course predicated upon the priesthood's capacity to maintain its position of monopoly on economic witchcraft by ensuring that only economists are listened to and that only economists can understand their own sacred texts. Thus the great utility from the layer of complex, beautiful mathematics that is laid ever so lightly upon a bed of ridiculous, putrid economic superstition.

You may think that these are the musings of a second rate Greek leftie pretending to be a cosmopolitan economist of note. Let me therefore enlist the help of Ronald Coase—a recently deceased economics Nobel Prize winner famous for being the opposite of a Greek leftie. This is how he describes the rituals of the very strange cult of economics:

"Our theoretical apparatus had the advantage that one could cover the blackboard with diagrams and fill the hour in one's lectures without the need to find out anything about what happened in the real world" (Coase 1978). So, in my priesthood, in economics, all it takes for the reproduction of the priesthood's discursive power is that those who want to become economists feel the need to become part of the priesthood and thus to adopt its practices. On graduation, their chances of getting a job either in academia or in the corporate world depends on their ability to add a small patch to the existing web of ritual beliefs and mainstream dogmas. Approximately ten years after her first fledgling steps as an economist, the graduate economist is inducted into the priesthood. At that point, after so much investment in obtuse theorizing, it takes a truly heroic disposition to break ranks and speak out. Those with the intelligence and integrity to do so will have probably dropped out of economics well before that, leaving only the unscrupulous or the naïve to rise to the priesthood's top echelons. Thus, the norms of the economics profession are reproduced even though no individual or group of individuals has conspired to reproduce them—a variant of the invisible hand, or fist, of which Adam Smith would *not* have been proud. A type of inverted Darwinism where the probability that an economic theory will be "selected" is inversely proportional to its capacity to illuminate really existing capitalism.

If I am right, the economics profession's grandest achievement is the continual conversion of theoretical flops into untold social, political, and economic power. Power for the economists themselves but primarily power for the politicians who use the economists' models to pass their toxic policies through bamboozled parliaments as scientifically vetted technocratic marvels; and for the financiers who also use the same models in order to extend an air of legitimacy to the pricing and credit worthiness of their toxic "products."

The Crash of 2008 ought to have exposed, once and for all, the sad truth that the "serious" decision-making of "very serious people" was never founded on serious science. That, instead, it was predicated upon a type of putrid expediency, which received substantial ideological support from the pseudo-scientific discourses of economics. In essence, from religious beliefs couched in the language of mathematics and served on a bed of statistical trickery. The rejection of this toxic agenda, and the realization that really existing capitalism is not well disposed to simplistic, mechanistic analyses would be an excellent start in trying to make sense of our topsy-turvy, crisis-prone post-2008 world; of a radically indeterminate world.

Alas, the economics profession, from which such a verdict ought to have emerged, had successfully purged long ago the last remaining morsels of intellectual honesty necessary to give rise to a new Keynes, a new Kalecki, even a new Frank Hahn—figures from the past whose experience of their generation's 2008, the Crash of 1929, had risen up against their own profession's toxic myths.

The lure of cosmopolitanism

But enough on the toxicity of economics. Let me now move on to the uneasy coexistence of the "economic" and of the "Greek" as I experienced it well before the Crisis. From my East Anglia and Cambridge days in the 1980s, I began to seek solace at the borderline of economics and philosophy. For it seemed to me that the problem with economics was its deeply problematic philosophical foundations. When colleagues protested that economics is a science and philosophy was an extravagant luxury that we, economists, did not need or could ill-afford, my retort was that they had just made a philosophical claim, and a weak one at that. That the moment they asked their undergraduates to assume that individuals maximize something called utility, they immediately dismissed Plato, Aristotle, Kant, Hegel and, indeed, Bertrand Russell.

Of course, none of these arguments cut ice with them. They nodded and got on with things. No, the only way of getting under their skin was to challenge their latest models, the latest pieces of mathematics that they considered to be their apotheosis—their finest artifacts. Back then, in the 1980s, game theory was all the rage. It was the pinnacle of the economists' achievements, the source of their power and their glory. Game theory was the study of all strategic interaction, from price competition between firms, to bargaining between suppliers and sellers, to strategic negotiations in the context of the World Trade Organization. By the 1970s, economists had grown sufficiently cocky to make the grand claim that they had the solution to every strategic interaction possible. That they had solved, mathematically, the great mystery of how rational people bargain and how they behave when their rewards depend not only on their choices, but also on other people's choices, which meant that their behavior should be conditional on what they thought that others thought that they thought that others thought ad infinitum.

If these claims were right, then economics had just become a theory of everything social. Come to think of it, there is no realm of human endeavor that would have stayed outside their theorems' scopes. From choosing what you will wear at a party, which surely depends on what you think others will wear, to the marketing strategies of large corporations, to gender politics in the home, to horse-trading at the level of European Union, the IMF, or the G20 to, indeed, our understanding of the good society, at least from the perspective of the social contract tradition in which, whether through the prism of J. J. Rousseau, John Locke, or John Rawls, the mind tries to imagine what kind of social and economic arrangement rational citizens would settle on in some fictitious grand negotiation.

As the economists were beginning to claim that they had the "solution" to the whole gamut of these "problems," I decided that my role was to debunk it. To subvert the paradigm of the economists' game theory as it was beginning to dominate. It took countless lonely hours unpacking the mathematics behind their theorems and claims. Happy hours, nevertheless, spent in isolation but at the same time in solidarity with a few kindred spirits like the philosopher and friend, the late Martin Hollis, or my colleague Shaun Hargreaves-Heap.

The battle was ferocious but civilized. The establishment would claim that it was not only possible to have a theory of everything social but that, indeed, we had one already. I would retort with arguments like: suppose you are right and we do have such a splendid theory of everything social. Let's call it theory T. Theory T must be able to tell us what the best bargaining strategy of each party to any negotiation at every point in time. Correct? Correct. Consequently, theory T must yield estimates of, first, what the final agreement will be and, secondly, how long it will take to reach it. Correct? Correct. But if we, the economists, are clever enough to know this theory T so will, eventually, common folks. Indeed, they will have an incentive to pay us for access to theory T. Which means that the bargainers will eventually know what the agreement between them will look like before it is reached and how long it will take before it is reached. But if they know this, why wait? Why suffer the costs of delay, negotiations, strikes, lost earnings? Why not settle instantly at the agreement theory T predicts? But would this not mean that the availability of a great theory T rules out the very possibility of rational negotiations? Of conflict between rational people? And would rational negotiators not try profitably to confuse their opponents by deviating systematically from theory T, the theory that ought to govern their behavior? But if such deviations from the theory can be rationalized, then no theory T can be presented as the uniquely rational one. Thus the theory of everything that you claim to be on the verge of establishing cannot ever exist. And why not? Not because humans are imperfectly rational. No, your theory holds no water because people are cleverer than any of your mathematical theories of human interaction can acknowledge. It is what Hegel called the cunning of reason, which will always subvert your attempts to produce a monopoly of theory of what it means to act rationally in a social context.

With this foray into the type of criticism of economics, I just wanted to give you an inkling of the type of thing that occupied my time and the form of guerilla warfare against the economics profession, my profession, that I was indulging in. It was a time when I lived in a haze of splendid cosmopolitanism buried deeply in the Anglosphere. Geographically, life unfolded in Essex, East Anglia, Cambridge and then, in a leap of faith and in a bid to escape the drudgery of academia under Mrs. Thatcher, Australia. Greece, at that time, made its mental presence felt through Greek philosophy. Without a background in Aristotle's *eudaimonia*, which tore into Bentham's utility; without Epicurus's rich concept of pleasure, which exposed the shallowness of J. S. Mill; without Sophocles's Antigone to remind me of the importance of questioning the rules that supposedly ought to govern our behavior, my criticisms of economics would have been emptier, less pleasing, weaker.

The invasions of Modern Greece

Modern Greece however hummed along in the background—in the unconscious. And as it so often happens, its sudden invasions into the conscious were violent, destabilizing, poignant. I shall never forget one of these invasions. Soon after arriving in Australia, I did what one ought to do: I bought a car, filled it with spare tires and extra petrol canisters and set off towards the Red Desert. Three days later, exhausted, sweaty, hungry, and thirsty I pulled over at a large pub in the middle of nowhere. Only a petrol station stood on the side of the majestic pub, acting also as a grocery store, post office, and department of social security franchise. A relic of a gold rush that had lasted a couple of years in the early 1900s before the prospectors moved on, the pub still exuded a long-gone splendor, like an eroding footprint on the sands of time left behind by an extinct mammoth, with its fading theater stage, the dusty colonial majesty of its main hall, the creaking sweeping staircase that led to the upstairs rooms—a staircase that would have once been fit for Rita Hayworth to descend from to the sound of the midi grand piano next to the bar.

As I entered the spacious pub, a truck driver was gulping down his beer, in intense conversation with the publican, the only other souls around being an elderly aboriginal couple at the saloon's far end. I ordered steak and beer, the only offering on the menu, and let the publican narrate the pub's story. How it once was the heart of a thriving community whose timber cabins and tin roofs melted into the desert after the gold ran out. An hour or so later, I detected movement in the distance.

The aboriginal couple had risen and the man was fumbling with what looked like an old '60s turntable—very much like the ones that my generation of teenagers had in our bedrooms: you know, the ones with the detachable top that contained the turntable's speakers. He placed a 45 single on the turntable, let the needle sit gently on the vinyl and turned to his partner who readily joined him in a slow waltz.

All of a sudden, my ears clashed with everything else my mind was telling me about where I was:

> Νύχτα βροχερή άδειο το χέρι ψάχνει να σε βρει μα δεν το ξέρει, που θα σε βρει.

Arleta's lyrical voice. «Μια φορά θυμάμαι μ' αγαπούσες. Τώρα βροχή». I nodded to the truck driver and the publican to cease yapping, and I watched every move of the aboriginal couple, until the single ended with loud scratching noises. Dazed I walked up to them to ask: "What is that song? Do you know what it is?"

> "It is our song!" replied the woman proudly.
> "Yes, but do you know who is singing? What language this is?"
> "No idea mate. But it is a beautiful language," added the man. "We found it here more than twenty years ago. It's very scratched. But we love it. Some white fella must have left it behind."

Moments of heterotopia like that one occasionally pulled rank on me and put paid to my epidermic cosmopolitanism. They placed in context my abstract work at the borderline of economics and philosophy and forced me to remain grounded in my confused reality. Together with long conversations with another émigré, my good friend Joseph Halevi, these painful reminders of my roots in a generation that had been shaped by two dictatorships, one world war, and a hideous civil war took me by the hand, sometimes violently, and forced me to focus on the economic realities of the world I lived in. So, from the mid-1990s onwards, while still working on abstract theory, I began to turn my own spotlight on the global political economy, looking at it from a perspective that was distinctly Greek and which was, eventually, to yield my global minotaur narrative on the global economy.

Dark clouds and global minotaurs

It was the time Greece was beginning to edge close to the Eurozone, so I started looking more carefully at the design of that monetary union. The more I looked the less I liked what I was seeing. In my eyes, it seemed as if we were trying to do two things at once: first, to remove the shock absorbers of flexible exchange rate and second, to ensure that the next shock, when it hit, would be amplified massively, causing a domino effect not dissimilar to the way in which an earlier monetary union, the Gold Standard, had collapsed in the 1930s following the shock of 1929.

The Eurozone, it seemed to us, to my Sydney colleague Joseph Halevi and me, was built on the presumption that America's recycling of others' surpluses would continue to provide adequate demand for net exporters like Germany.

No surplus recycling mechanism was built into the Eurozone and, consequently, launching the Eurozone was a little like launching a fine riverboat on a calm ocean: a beautiful journey until the first storm clouds appear on the horizon. The tempest of course came when America's recycling powers gave way. The seas turned stormy and the pretty European riverboat began to take on water. And since the weakest link, or the lowest deck, was always the first one to be hit, from 1998 I was beginning to feel very jittery about Greece. A modern Greco-European tragedy, a cross between Shakespeare and Sophocles was in the offing.

Putting this point across was not an easy task. The cacophony of moneymaking in Greece, in Europe, in Wall Street drowned our voices. To boot, our explanation of what was rotten in this kingdom of financialization could not fit into a sound bite and was ignored. In 2001, I decided that I needed a powerful metaphor. It was at the time that I was taking an enormous risk at the level of the private: to accept a position at the University of Athens and to move back to the motherland after twenty-three years away. You need no details to understand what a shock to the system that was.

But back to the metaphor, by which I was intent on issuing a warning of what was about to hit us, in Greece, in Europe, in the United States. Allow me to read a brief example of the metaphor I came up with:

> Once upon a time, in the famous maze-like Labyrinth of the Cretan King's Palace, there lived a creature as fierce as it was tragic; its intense loneliness comparable only to the fear it inspired far and wide.
>
> You see, the Minotaur, for this was its name, had a voracious appetite which had to be satiated to guarantee the King's reign—the ironclad Minoan reign which secured Peace, enabled trade to crisscross the high seas in bountiful ships, and spread prosperity's benevolent reach to all corners of the known world.
>
> Alas, the beast's appetite could only be satiated by human flesh. Every now and then, a ship loaded with youngsters sailed from far away Athens bound for Crete—to deliver its human tribute to be devoured by the Minotaur. A gruesome ritual that was essential for preserving the era's Peace and for reproducing its Prosperity.
>
> Millennia later, another, this time a Global Minotaur, rose up. Surreptitiously, from the ashes of the first postwar phase—the one created by America's New Dealers from the ashes of the war.
>
> Its lair, a form of Labyrinth, was located deep in the guts of America's economy. It took the form of the US trade deficit which consumed the world's exports. The more the deficit grew the greater its appetite for Europe's and Asia's capital with which this American Minotaur satiated its hunger. What made it truly Global was its function: It helped recycle financial capital (profits, savings, surplus money). It kept the gleaming German factories busy. It gobbled up everything produced

> in Japan and, later, in China. And, to complete the circle, the foreign (and often the American) owners of these distant factories sent their profits, their cash, to Wall Street—a form of modern tribute to the Global Minotaur.
>
> What do bankers do when such a tsunami of capital comes their way daily? When between 3 and 5 billion dollars, net, passes through their fingers every morning of each week? They find ways to make it grow! to breed on their behalf. Thus, the ’80s, the ’90s saw an explosion of private money minting by Wall Street on the back of the daily capital tsunami that flowed to America to feed the Minotaur.
>
> Just like its mythological predecessor, our Global Minotaur keeps the world economy going. Until, that is, the pyramids of private money built upon the Minotaur’s feeding tribute collapse, as they will, under their own impossible weight. Planet Earth is simply not large enough to hold so much private, toxic money, money-like paper that will burn down once the collapse commences. In this conflagration, the Global Minotaur will be wounded critically.
>
> Now that it is in rude health, the Minotaur produces tremendous wealth and despicable inequality, new vistas of pleasure and new forms of deprivation, ample security for a few and crippling insecurity for most, great inventions and gadgets as well as spectacular failures of common decency. In this climate, Europe thinks that it can unify monetarily but not in any other substantive way. Whatever we think of the Global Minotaur’s reign, it keeps the world going and its elites thinking that their regime is stable, successful, moderate even.
>
> With the Minotaur keeping the show going from its secret Labyrinth, its gross excesses remain unseen, helping the great and the good believe their own rhetoric about some Great Moderation that is supposedly the order of the day.
>
> But, when the Minotaur keels over, mortally wounded by the excesses of its handmaidens in Wall Street, in London, in Frankfurt, in Paris it will leave the global economy in disarray. In America and in Europe, in India and in China, the Minotaur’s demise will put the world into a permanent crisis.
>
> The Cretan Minotaur was slain by a brave Athenian Prince, Theseus. Its death ushered in the new era of tragedy, history, philosophy. Our very own Global Minotaur will surely die less heroically, a victim of Wall Street bankers and Europe’s bureaucrats. What will its demise bring? Should we dare hope for a new era in which wealth no longer needs poverty to flourish? In which development means fewer ashes and abstract power wanes while everyone gets stronger?
>
> Whatever the result of history’s mysterious ways, the Global Minotaur will be remembered as a remarkable beast whose reign created, and then destroyed, the illusion that capitalism can be stable, greed a virtue, finance productive, and Europe’s unity assured. (Varoufakis 2013)

This quasi-mythological tale was originally scripted in 2002, to accompany a scholarly article by Joseph Halevi and myself, entitled “The Global Minotaur,” the purpose of which was to warn that the global order, and Europe’s monetary union within it, were about to hit the rocks. As Alan Greenspan would have put it, another bleak prognosis by two incurable left-wingers that he should ignore. And so it was, except for a handful of left-wingers who always expect capitalism to collapse. Any minute.

Having moved to Greece, at a time when the socialist government of Mr. Costas Simitis was succeeding in giving Greeks a feeling of progress, I was incensed by the xenophobia that was creeping up on the nation. The 1990s was a decade when, as we all know, Greece, just like Ireland, transformed itself from a source of emigration to an attractor of immigrants. These immigrants were the main reason that Greece managed to enter the Eurozone—not Greek statistics. And yet the nation heaped scorn and expressed enmity toward them while exploiting their labor so as to replace the unloved drachma with the gleaming new euro.

As the Simitis government was running out of steam, and the New Democracy opposition was investing heavily into xenophobia, I felt compelled to assist, to the extent that I could, the one politician who was immune to xenophobia and whose overtures to Turkey as a foreign minister had been a breath of fresh air, George Papandreou. Thus, even though I had no confidence in his party or, indeed, in his team, I decided to throw my lot in with him in a bid to stem the tides of xenophobia. After all, it was no accident that I wanted my daughter, born around that time, to be called Xenia—consumed by the belief that the one way of being truly patriotic is to observe one's own country, and to live within it, as a *xenos*—a stranger—a foreigner.

It was not too long before economics came between us when I realized that George Papandreou was incapable of organizing his team, and that his economic team was composed of clueless, procedural plagiarists of inane, neoliberal, toxic views about the global, the European, and the Greek economies. So, by 2006, I resigned as a Papandreou advisor and dedicated myself to the role of a disagreeable Cassandra.

Let me mention just one incident. It is November 2006. The then Minister of Finance, Mr. Alogoskoufis, had just tabled his government's budget for 2007. A think tank of the former Prime Minister Costas Simitis organized a panel to discuss that budget. It comprised PASOK's last Finance Minister, who had served under Simitis, the economics spokesman of Syriza, and myself. The proceedings were chaired by a financial journalist from the newspaper *TA NEA*. The other two speakers spoke on the budget itself. I did not. What follows in an except from this talk:

> Today, unlike in 2001, we are not threatened by the stock exchange crashing. We are threatened by the bubble in American real estate and in the derivatives market that has been built upon that bubble. If this bubble bursts, and it is certain it will, no reduction in interest rates is going to energize investment to take up the slack.

> For thirty years a specter has been haunting the global economy: the twin deficit of the United States. Like a Global Minotaur, it is absorbing the world's capital, which voluntarily rushes towards it, shaping the lives of those who live far and wide. When the debts and loans that have been built on the Minotaur's back start imploding, a chain reaction will bring down global finance. The question is not whether will this happen but how quickly it will result into the next Great Global Depression. I realize that these are terrible prognostications that I hope they are false. But I wonder whether the Finance Minister and his European counterparts are thinking about this possibility. Whether they are planning their response. Or whether they are indulging their statistical fetishism and practicing the soothing art of double entry book keeping.

My talk was, of course, ignored. My fellow speakers read their prepared texts and the Chair looked at me the way one looks at an inconvenient idiot, remarking: "The European Commission is predicting continued, strong growth for the next three years. I cannot see where you are getting your glum predictions from."

Crash and burn

When, less than two years later, the real estate downturn did bring Wall Street, the City, and Frankfurt down, the Greek elites were whistling in the wind, convinced that Greece was "safe." Together with another Athens University colleague, Nicholas Theocharakis, we organized a thirty-lecture series, engaging colleagues from Britain, France, Germany, the US, Australia, and elsewhere under the overarching title "After the Crash." It went largely unnoticed even when, by the end of 2009, it had become abundantly clear to all who had eyes to see and ears to hear that the Greek state had gone bankrupt.

The reason for our insolvency was simple: the Eurozone was incapable of absorbing the shockwaves of the 2008 global earthquake. Once the capital inflows that had flooded the periphery went out like a vicious tide, they left behind nothing but weedy posts and marooned public and private sectors. Unable to reduce the international value of our countries' debts and banking losses through currency depreciation, with states that lacked a central bank to have their back, and a central bank without a state to have *its* back, Europe's mountain of debts was bound to rise while incomes took a hit—the definition of bankruptcy writ large.

And yet, denial remained the order of the day. Mr. Papandreou's government was falsely arguing that Greece just needed a credit line. Germany was refusing to grant it, pretending that it was possible to deny the bankrupt states of the Eurozone both a bailout and the right to default on unpayable debts. Soon, Papandreou's false view prevailed throughout Europe. Those in charge, in Europe and in the IMF, in Athens and in Frankfurt, behaved as if

Greece was facing not an insolvency episode but a liquidity problem—one to be patched up by means of the largest loan in human history. A loan to be given on condition that Greece would undertake the most vicious reduction in the national income in history—even worse than that which produced the Grapes of Wrath in the 1930s.

Even before this reprehensible loan agreement that was shamefully described as the Greek bailout, I have to admit that I was livid. Livid with George Papandreou and all the other leaders of peripheral member-states for their insincere acceptance of impossible conditions that they could never meet. Livid with Northern Europe's leaders for imposing these conditions which they were not entitled to exact. Livid that those who should have known better were "extending and pretending," jeopardizing a whole generation not only of Greeks but also of Irish, Portuguese, and Spaniards—indeed of Europeans, including of course the average hardworking German. Livid that by imposing upon Europe's periphery a new Treaty of Versailles, the core was paving the ground for its own long winter of discontent. Months before the Greek bailout I had written in this vein the following lines:

> The gist of the Versailles Treaty was not so much that it punished Germany and caused Germans untold collective pain but that, in the end, it was an own goal; a terrible deal even for the victors; an own goal that John Maynard Keynes had anticipated in 1920 and the rest of world came to recognize when it was too late, in the 1930s. (Varoufakis 2010)[1]

My conclusion in that article came in the form of a question: "Assuming, for argument's sake, that Greece is getting its just deserts, do the hard working Germans deserve a political elite that quick marches them straight into economic catastrophe?" (Varoufakis 2010). It was February 2010. The question just did not resonate with the powers that be.

In my first engagement with the non-Greek media, in an interview I gave to BBC radio, I tried to raise alarm bells about the assault against rationality that was about to be launched in Greece, surely to be replicated, as it was, in the rest of the Eurozone. To this effect, I read out a cheeky poem that I had discovered in my papers—from a yellowing copy of *Punch* magazine. It read:

> Who is in charge of the clattering train
> The axles creak and the couplings strain
> The pace is hot and the points are near
> Sleep has deadened the driver's ear
> And the signals flash in the night in vain
> For Death is in charge of the clattering train.

Of course, everyone thought that I was a merchant of doom. When in February 2010 I began advocating that it is the Greek government's moral imperative, as well as the only logical course of action, to accept the state's bankruptcy in order to spare Greece a never-ending doom spiral, to announce a unilateral default and to invite Greece's creditors to an immediate negotiation before any request for loans is put to our European partners, I caused much consternation in the ranks of Athens' elites. They portrayed me as the purveyor of bankruptcy. I felt like a cancer specialist in the awful position of having diagnosed a cancer, while the patient's aggressive relatives were accusing me of being an agent of the tumor.

For four years now, this same story has repeated itself as if on an infinite loop. The government agrees on new loans on conditions of further austerity, I warn that the new agreement will deepen the bankruptcy and bolster the economic and social costs, I am portrayed as a national traitor by the establishment, and then the establishment, in Greece and Europe, announces that the debt has worsened and none of the "targets" or conditions were met, before finding some euphemism that will allow them to pretend and extend further, on occasion even to proclaim success, the end of the crisis, Greecovery, etc., before we are back to square one, more indebted, more distraught, less hopeful and fewer—as the best, youngest and brightest have migrated in search of hope.

Isegoria and Orientalism

Perhaps the most remarkable aspect of ancient Athenian democracy was not so much the idea of majority rule but the notion of *isegoria*: the idea that one's views ought to be heard and judged independently of who expresses them—of whether they are poor, rich, handsome, ugly as sin, with a full head of hair or bald, left-wing, aristocratic, or lumpen; indeed, independently of one's rhetorical skills since there is no reason why such skills should correlate well with the soundness of the argument.

After the Crisis erupted, my greatest personal loss was the loss of the illusion of isegoria. Once I began to intervene in public debates, I acquired two things that I loathe: sworn enemies, who rejected everything I said before I said it, and loyal supporters, who accepted my pronouncements before they had left my mouth. In my academic life, I was used to being challenged and to have my ideas subjected to the harshest of criticisms. My ideas more often than not were rejected by fellow economists but not for want of isegoria. In public life I realized, with considerable sadness, that isegoria was dead and buried. Both my supporters and detractors cared very little to subject my musings to critical assessment.

This sad state of dialogue was not confined to Greece. As I mentioned before, suddenly I found myself in conferences and debates abroad where I was no longer a participant whose economic views should be judged in the court of the audience's informed opinion. No, unexpectedly mine was the voice of a

"Greek economist." Even before I spoke I could see my counterparties thinking: "He would say that, as a Greek economist, wouldn't he?" It was only my insistence that Greece should not be accepting new loans, let alone be begging for them, which made them sit up and take some notice. That Greece should not leave the Eurozone, under any circumstances, but that, in order to survive within it, default unilaterally within it. Still, isegoria had gone the moment the adjective "Greek" had been added in front of the economist.

At a European level this was of particular significance. A continent that has been uniting under different languages and accents was suddenly divided by a common language. I recall a meeting in Brussels with other European economists and policy makers, discussing a proposal that I had co-authored for resolving the euro crisis. A well-meaning, influential official rose up to speak in favor of our proposal but then immediately added: "While you are making a strong case for it, when this proposal is presented to German officials it is best if the presenter does not have a Greek accent." Tragically, I understood exactly what he meant. Still, his well-intentioned advice constituted such a sad departure from the notion of isegoria—and, thus, from any prospect of a nascent Europe-wide democracy.

The third type of isegoria violation that I shall recount relates to the late Edward Said's reflections on Orientalism. I recall sitting in a radio studio in Australia, being interviewed on the Greek collapse by possibly the world's most sophisticated, worldly, best read, deeply progressive radio host. And yet. And yet. On the phone from London there was a second guest. Some twenty-something ill-educated dealer working for some toxic hedge fund. The interview began with my being asked about "how it felt on the ground to be a Greek and an economist." After I indulged the host, he then turned to the young Brit to ask the hardnosed questions: "Why did the Greek economy tank?" "Should the bailout loans be granted?" etc. Then back to me with more "soft" questions about the historical aversion of Greeks toward paying taxes. I was furious. Even worse, I had to keep a lid on my fury so as not to reinforce the stereotype of Greeks wearing their hearts on their sleeves. If Orientalism could rear its ugly head thus in that top notch, otherwise brilliant, radio program, the work begun by Edward Said to identify and denounce Orientalism's mechanisms of representation is certainly not complete.

Viewed from this perspective, Western reactions to Greece's current predicament tend to romanticize it. Said helped explain how the romanticization of the Orient functioned as a powerful justification of colonial attitudes which were, in turn, internalized by local elites so as to tighten their grip on power over their "subjects." Something similar is happening in Greece's case today: well-meaning Western opinion-makers are romanticizing our predicament while denying Greek voices the opportunity to explain, as opposed to merely lament. Thus a post-modern form of Orientalism is at work within (but also without) the European Union denying Greeks their isegoria. The view that proposals for sorting out Europe's mess (see above account) cannot be spoken in a Greek accent are the other side of the romanticization—of Greece's—suffering coin. The romanticizing of impossibly high youth unemployment and the rising specter of hunger acts as a legitimizer of neo-colonial interventions (e.g., the bailout with its accompanying stringent terms and austerian conditions) that, in fact, enhance the romanticized predicament. Worse still, in a bid to reinforce their waning dominance, Greece's "elites" internalize the romanticization of the majority's pain and play an active role in silencing local analyses of Europe's crisis.

Megalomania

When I was still at school, I remember my teacher and renowned poet Matthaios Mountes telling me that megalomania is the echo of a repressed inferiority complex. "And we Greeks are the best example of this," he hastened to add. How right he was. Before 2010, the average Greek had convinced herself that Greece was superb *Über alles*, a cut above the rest. That we had made it into Europe's hard core but that we were even better than the austere Germans, the snobbish French, the bubbly Italians, the stiff-upper-lip Brits. On account of our exceptional "cunning," Greece was managing to combine fun, sun, ξενύχτι (late nights), and the highest GDP growth in Europe.

Then, once disaster struck, one thing did not change, after our illusions had covered the floor like shattered glass following an earthquake: our self-importance. Suddenly Greece was, once more, at the center. We Greeks were responsible for Europe's crisis. The explanation of what had hit us lay within *our* borders. *We* were, again, special. The only country in the Eurozone that deserved what it was getting. Self-immolation followed self-congratulation but left self-importance in the driving seat.

My argument was that it is as silly to speak of a Greek crisis now as it would have been to speak of a South Dakota crisis in 1931–-the point being that, just as South Dakota was in 1931, so now Greece is caught up in a crisis larger than itself, the Euro Crisis. My argument was drowned out by the screams of those who wanted to pin everything on Greece, on ourselves, to argue that we were experiencing the nemesis which follows naturally in the footsteps of hubris, that Europe may have had structural problems but that this was *our* crisis and that our crisis was utterly different, separate, distinct from that of the Irish, of the Spanish, of the rest of Europe.

Of course this was not true. Ireland's and Greece's crises, to coin an important comparison, were one indivisible whole, despite the huge differences between our countries, peoples, cultures, mentalities. Think about it: in Ireland, once the euro was formed, Franco-German capital flooded in seeking higher interest rates. Accumulated savings flowed from Deutsche Bank (DB) to Anglo-Irish Bank, which then lent them to developers to build white elephants whose value rose on a bubble of speculation. When Wall Street crashed and the capital flows reversed ferociously, the developers went bankrupt, the banks went bankrupt and, finally, when the state was forced by the European Central Bank (ECB) to save the banks, the state itself went bankrupt.

Now, turn to Hellas: before the Crash, and after Greece was admitted into the Eurozone's hot bosom, Franco-German capital flooded in seeking higher interest rates. DB, BNP Paribas, and other banks lent to the Greek state, which then passed the money onto developers to build their white elephants, thus creating a bubble of speculation and Ponzi growth. (Who can forget the Athens Stock Exchange heady days?). When Wall Street crashed and the capital flows reversed ferociously, the Greek state went bankrupt, the developers followed, the bubble burst, and the banks went belly up. Where is the substantial difference with the Irish case? Where is Greek exceptionalism? Nowhere, except of course in the Greeks' inflated view of ourselves as exceptional in sickness and in health.

That was the reaction of the self-important Greeks: a touching commitment to blame it on the Greeks and on the Greeks alone. A diagnosis that came in handy for those whose job it was to market the bailout agreement as a species of tough love to the profligate grasshoppers.

Then there was the reaction of the Greeks whose self-importance was at the spectrum's opposite end and for whom the Greeks are to blame for nothing. They demanded conspiracy theories of how some alien enemy, the Jew, the Pakistani, some anti-Greek hater, a μισέλλην, some "other" was out to get our proud nation. Unfortunately, a number of them liked my narrative, especially when they could switch off at will the moment I started accounting all the malignancies of our Greek social economy and to explode various comforting myths about some international conspiracy involving George Papandreou, of untapped Greek oil and gas treasures, of loans from Russia and China that we could have accepted instead of turning to the Troika—the list was as long as it was sad.

Two paradoxes

As the crisis deepened and my involvement in the debates, inside and outside of Greece, intensified in proportion to the comedy of errors performed by our leaders in Athens and beyond, I felt more and more the strain of wanting to subject Greek mentality to the harshest scrutiny while at the same time rejecting the false notion of a Greek exceptionalism that explains the crisis.

However, this tension proved insignificant when compared to the two grand paradoxes staring me in the face. The first paradox was my own private one: here I was, having built a whole career on denying the existence of economic scientific truths and yet arguing that the case of Greece's collapse was a no-brainer. Here I was, arguing that economists are purveyors of mathematized superstition, and who should never be treated as experts, addressing an audience whose attention I commanded courtesy of being presented to them as an expert. While I continued to strive for isegoria, imploring my audience to judge what I say and not the credentials of who is saying it, it was evidently the case that my voice carried more weight because of the subtitle under my mugshot: "professor of economics."

The second paradox was political and tells a crucial story about Greece's supposed elites who were increasingly drawn to a libertarian agenda that, to them, seemed consistent with the imperative of accepting the terms of our new Treaty of Versailles: of our memorandum of misunderstanding with the Troika. What would an American libertarian, or indeed Friedrich von Hayek or Ludwig von Mises, their mentors, want to see happen in Greece? Two things. First, they would see no alternative to liquidating all unsustainable prices, including real estate prices, shares, most government departments, and much of still-employed labor. Greece's elites adopted this mantra, some enthusiastically, others less so. Secondly, sincere libertarians would acknowledge that, at the same time, all unsustainable debts should be written off, as the drop in incomes following so much liquidation could *never, ever* repay the stock of debts and losses built up during the period of Ponzi growth. And, most emphatically, true libertarians would reject the notion that taxpayers' money should be used to prop up a bankrupt state's unpayable debts while re-floating failed private banks.

Alas, Greece's libertarians rejected this idea with all the indignation they could muster. When I would argue that one couldn't have internal devaluation without first affecting a massive debt and banking losses write off, I was met with outraged howling. I was readily portrayed as bankruptcy's high priest, a national traitor, an idiot savant who would jeopardize our membership of the Eurozone—indeed, as the drachma's chief advocate, even though I had lost so many friends on the Left by arguing constantly and unreservedly against Grexit.

And they were not alone. The self-proclaimed libertarians in the Greek Sector of Bailoutistan were aided and abetted by ordolibertarians in Berlin, in Frankfurt, in Brussels, even in Paris—"very serious people" who wanted Greece to liquidate prices, wages, and labor but at the same time insisted that it should honor the last cent of its mountainous debts while subsidizing all of its banks' gargantuan losses. Such libertarian schizophrenia, ladies and gentlemen, cries out for an explanation.

Of course the explanation is painfully simple: whereas Hayek and von Mises would recommend that the bankers should be liquidated forthwith, along with prices, wages, and employment, the pseudo-libertarian elites of Bailoutistan would never risk jeopardizing their profitably cozy relationship with the nation's bankrupt bankers. As for their Northern European guardians, they too had their reasons. DB fears that a terrible precedent will be set if the European Union oversees the cleansing of the smallish Greek banks, which requires the prior expropriation of its owner. Who knows where such subversive cleansing may stop? Perhaps the rot may even reach Frankfurt? It may bring ECB officials to their doorstep, demanding that they take a look at DB's own books. Heaven forbid! Compared to this horror of horrors, a certain logical contradiction in the libertarian mindset was deemed infinitely preferable.

And so German taxpayers are, as we speak, unwittingly funding the erection of a new cleptocracy in Greece and in the rest of Europe managed majestically by the bankrupt bankers at the expense of the banks themselves, of credit creation, and of everyone else in Greece whose future is destroyed by the combination of a new, extremely lavish, socialist welfare state for bankers while everyone else is thrown into the den of untrammelled, heartless, market forces.

Europe's war on reason

Friends and foes ask me why it is that I have abandoned a life of abstract theorizing to enter the bull pit of ugly political and economic policy debates. The answer is rage. Rage at the thought that Greece was becoming the harbinger of, and the excuse for, terrible things that were coming Europe's way for the second time in living memory. A second time? You may recall that the Cold War began not in the streets of Berlin but, indeed, six months earlier, in the streets of Athens in December 1944. In 2010 Athens was again, by accident, threatening to mark the beginning of a major crisis, an economic one that would be remembered in centuries to come alongside the 1930s Great Depression. For a small country to be the starting point of one global affliction, the Cold War, was unfortunate. To be the snowflake that causes two such global avalanches in seventy years was too much to bear. Especially given that it was all so avoidable.

It could have been avoided in a manner of ways. For instance, if Greece's bonds were haircut instantly and the banks that needed help to cope with the resulting losses had been integrated into a proper US-like banking union, and funded by the equivalent of a European TARP, then Greece would have had a chance to reform in an orderly fashion. Even better, Europe could have used the Crisis as an excuse to create the automatic stabilizers missing from the Eurozone, and thus combine greater responsibility at the national level with consolidation at the continental level.

But no. The powers-that-be in Europe's core and Europe's periphery forged an unholy alliance with our bankruptocracy to launch a major assault on reason. Their weapon of choice: the bailouts. Of course, Greece was *never* bailed out, nor were the rest of Europe's swine—or PIGS as we are now called collectively. Our bailout was a cynical ploy for transferring large losses from the books of the French and German banks to Europe's taxpayers, and in particular to Germany's taxpayers, all in the name of European solidarity which, like the banking union, is constantly proclaimed in name only to be denied in substance. This sinister subterfuge, this successful attempt to mislead seventeen parliaments all at once, led to a death dance of insolvent banks and bankrupt states—sad couples that were sequentially marched off the cliff of competitive austerity—with the awful result that large sections of proud European nations were dragged into the contemporary equivalent of the Victorian poorhouse.

Am I wrong to be incensed by what we are doing to Greece, to Germany for that matter, to Italy, to Europe? Of course my fury would have been tempered if I could see signs that Europa's flight from reason was ending; that a modicum of rationality were returning. But I see none, thus the glum indignation. In a recent talk delivered in Sydney, Australia, I attempted to puncture the darkness with a light note on what made the people of Europe accept our badly designed Eurozone in the first place. My caricature, my pop history went like this:

> Europe's people created the Eurozone because:
> - The French feared the Germans.
> - The Irish wanted to escape Britain.
> - Greeks were terrified of Turkey.
> - The Spanish wanted to become more like the French.
> - The Italians wanted to become German.
> - The Dutch and the Austrians had all but become German.
> - The Belgians sought to heal their sharp divisions by joining into both Holland and France under the auspices of a reconfigured DM.
> - And, finally, the Germans feared the Germans!

Of course, as *Life of Brian*, that masterpiece of British culture, has taught us: there is no such thing as *the* Germans. Or *the* Greeks. Or *the* French. "We are all individuals."

Yes, it is true that some Europeans are grasshoppers whereas others are ants—to coin yet another one of our precious myths. But the notion that the ants all live in the North and the grasshoppers have all congregated in the South, plus in Ireland, is bizarre. There are ants and there are grasshoppers in each of our nations. During the "good" times of the Eurozone, the grasshoppers of the North and the grasshoppers of the South went on a frenzy, and when their feeding frenzy led to the crisis, it was the ants of the North and the ants of the South that were made to foot the bill. Tragically, our leaders' espousal of the grasshoppers' agenda, everywhere in Europe, ended up turning the ants of the North against the ants of the South in a Europe that is losing its soul because of stereotyping, denial, and the ironclad determination of grubby so-called elites not to let go of the levers of ill-gotten power.

The result is that, divided by a common currency, our elites are now behaving as if the Balkanization of Europe were the objective. Greece, a country that needs reforming more than any other, has become un-reformable and more ungovernable than ever before. The dream of modernity has turned into a postmodern nightmare, overseen by a Troika of highly paid bailiffs out of ideas of how to recoup the money they forced us so senselessly to borrow.

Serpent DNA

The principle of the greatest austerity for the European economies suffering the greatest recessions would be quaint if it were not for the ill wind that blows into the sails of misanthropy, racism, Nazism. In an ironic historical twist, Nazism is now strong in a place that had fought it tooth and nail in the 1940s.

As German history should have taught us, nothing prepares a people for authoritarianism better than defeat followed closely by national humiliation and an economic implosion. When proud nations, which were previously implanted with the serpent DNA are beaten into submission, are humiliated and punished collectively, as the Germans were with the Treaty of Versailles, and the Greeks with the memorandum's impossible algebra, and they are reduced *en masse* to a state of despair—the serpent can always return, replicate ferociously, and run amok.

Epilogue

It is time to end my tale of the peculiar calamity of being both Greek and an economist; at once Anglo-Celtic in training and culturally Greek. I can think of no better way to do this than by quoting from two sources, one as English as it gets, the other as Greek as it is possible.

Let me start with the Englishman, a certain John Maynard Keynes who in 1920 wrote the following prescient lines:

> Moved by insane delusion and reckless self-regard, the Greek people overturned the foundations on which we all lived and built. But the spokesmen of the European Union have run the risk of completing the ruin, which Greece began, by a loan agreement which, if it is carried into effect, must impair yet further, when it might have restored, the delicate, complicated organization, already shaken and broken by the 2008 crisis, through which alone the European peoples can employ themselves and live. (Keynes 1920, substitutions made)

These are, of course, not exactly Keynes's words, but they are not far off. All I did was to replace Greece for Germany, European Union for the Great War's victorious allies, loan agreement instead of the Treaty of Versailles, and the 2008 Crisis in place of The War.

And now to the Greek quotation, to George Seferis's line: "We who had nothing will teach them tranquility." Replacing some words, as I did with Keynes, I shall re-phrase to: "We who lost everything must teach them rationality"—dedicated to fellow Greeks and Europeans who foolishly strive to deny Greek voices and accents the right to isegoria on how to end Europe's War on Reason.

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NOTES

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[1] The journal that originally published this article has, together with much of Greece's social economy, folded since the publishing of the piece. The article can now be read on my blog.

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