Yanis Varoufakis: Big Tech, New Cold War & the Death of Europe

Yanis Varoufakis is an economist, the former Finance Minister of Greece, and the author of numerous bestselling books. Follow Prof. Glenn Diesen: Substack: https://glenndiesen.substack.com/ X/Twitter: https://x.com/Glenn_Diesen Patreon: https://www.patreon.com/glenndiesen Support the research by Prof. Glenn Diesen: PayPal: https://www.paypal.com/paypalme/glenndiesen Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: https://gofund.me/09ea012f Books by Prof. Glenn Diesen: https://www.amazon.com/stores/author/B09FPQ4MDL 00:00 Introduction to Yanis Varoufakis 00:53 The Structural Economic Problems of Tech 11:14 The Power Dynamics Between States and Tech Companies 18:46 Europe's Strategy in the Age of Tech Rivalry 25:28 The New Cold War and the Dollar's Hegemony 26:55 The Clash of Cloud Capital and Finance 28:55 The Future of Financial Systems in the US and UK 30:46 The Rise of Stablecoins and Their Impact 34:21 The EU's Foreign Policy Dilemma 36:54 The EU's Existential Crisis: Federation or Disintegration? 39:39 The EU's Irrelevance in Global Geopolitics 44:52 Europe at War: Who Benefits? 49:52 The Opportunity Costs of Military Spending

#Glenn

Welcome back, everyone. We have the great pleasure of being joined today by the great Yanis Varoufakis, the former finance minister of Greece, professor of economics, and also founder of DiEM25, the Democracy in Europe Movement. So thank you, Yanis, for coming back on the program.

#Yanis Varoufakis

Always a pleasure, Glenn. Always, always a pleasure.

#Glenn

I thought we could start with, I guess, a very big question: what structural economic problems does the tech industry contribute to? Because it seems that the tech industry is dividing or reorganizing global power, primarily between the US and China. Of course, you have other smaller centers with technological sovereignty, but it definitely appears to leave Europe behind. And yes, we see this technological development having real geoeconomic consequences. So I was wondering, if we take a step back, what kind of structural economic problems do you see with this new tech era?

#Yanis Varoufakis

Well, I'm glad that you are emphasizing the word "structural" because, you know, the debates, the way they have been unfolding, have been extremely confusing. People keep talking about productivity, forgetting that productivity is a ratio where you put something in the denominator—hours worked—and in the numerator, you have to have some metric of what it is that is being produced. So there's no doubt that AI, what I call cloud capital, algorithmic digital capital, produces a lot of stuff, a lot of activity. But does it produce value? No. How do you measure the value, the economic value, of what goes in the numerator?

And the confusion over what goes in the numerator of that ratio is what I think contributes to what I call the AI productivity delusion. To put it bluntly, before I go to the structural issue, you know, you can have an AI that does a lot of things that give us a lot of pleasure but produces absolutely no exchange value. So, you know, in a system—capitalism, or technofeudalism, as I call it, given the preponderance of AI now and big tech—things that give us pleasure, like writing poetry or writing and rewriting our curriculum vitae, are completely useless. I mean, what's the point of putting this in the numerator?

So, having said that, what can help us cut through all this confusion and therefore home in on what matters? This is a historical question that I'm going to answer. I think it's important to understand, from a political economy perspective, that these machines—what lives inside our tablets, the computer we're talking through now, our phones in particular, our screens, and so on—are a new form of capital. At least, that's my hypothesis. I've written a book called Technofeudalism, which is based on this hypothesis. Everything I do and say today regarding big tech and AI, and the state of the world we find ourselves in, which is increasingly driven by these machines, is based on this hypothesis.

All those concepts of mine reflect this idea that I have: that we have a new form of capital, which I call cloud capital. So I juxtapose, Glenn, traditional capital and cloud capital. Now, what is the difference? I mean, mechanically, there is not much of a difference. It's actually, as they say, dual-use technology. I'm not referring here to military and peaceful or civilian uses. I'm talking about two different kinds of production. As economists, we've always defined traditional capital for our students as produced means of commodity production. So you have a steam engine, you have an industrial robot today.

What is the purpose of it? It's a machine that you create, that you manufacture, in order to produce commodities, including other machines. So you have an industrial robot building cars. It's a produced means of commodity production. The industrial robot is a produced means. The car that comes out of the industrial robot is the commodity that has been produced. That's been the case since well before capitalism, from the first fishing rod, which was manufactured, constructed, created in order to catch fish. But what lives inside a phone or a computer—the product that makes big tech so

powerful? Well, that's not a commodity. A Google search result is very useful, but it is not a commodity. It's not something that has been produced in order to sell it. A movie that you can buy on YouTube...

You can pay $10 and have access to a particular movie that you want to watch. That is a commodity. So the Google machine that produces a video for sale on YouTube is traditional capital. But I think most of our audience are going to be watching this for free on YouTube. Well, that is not a commodity because it hasn't been produced to be sold. What is it doing? What is Alexa doing? What's this machine here doing? This is the Google Assistant, right? The equivalent of Amazon's Alexa or Meta's Muse. What exactly is that machine doing? Well, you are training it to know you so that it can actually give you good advice on what book to read, what film to watch, and win over your trust. Once it has your trust, the moment your coffee maker doesn't work in the morning, you say, "Alexa, or Muse, or Google Assistant, what coffee maker should I buy?"

It gives you one or two suggestions. You say, "Buy it," click, right? And then the owner of that piece of machinery, of that cloud capital, withholds 40% of whatever it is that you paid for that coffee maker. Now that, Glenn, is a crucial bit. Because, you know, Amazon.com or Facebook did not produce that coffee maker, but they retained 40% of the price. So this platform is not a market. It's more like a cloud fiefdom, and the owner of that cloud system extracts not a profit but a rent. And why is this my answer to your question? Because you asked me, "What are the structural aspects, dimensions of this new world of AI, of big tech that we live in?"

Well, if my hypothesis is right, the great innovation is this cloud capital. And cloud capital, unlike conventional capital, extracts rents. It does not create value. It extracts surplus value from those who create it—from the workers, as well as the capitalists who have organized the creation and retention of surplus value. Traditionally, as we shifted from feudalism to capitalism, you had the entrepreneur who organized production courtesy of having access to capital. He extracted surplus value from living labor—not from the machines, but from living labor. The machines enhanced the competitiveness of that entrepreneur's company, but did not create value on their own. It was the human laborers who created the value.

That surplus value that was retained by the entrepreneur was then used to pay the bank interest and the landlord's rent. Whatever was left was the entrepreneur's profit. Then, supposedly, if the conditions in the marketplace were sufficiently competitive, it was invested in more machinery, in more produced means of production. But now, if I'm right in my estimation that, let's say, 50% of the capitalization of the New York Stock Exchange is not due to profitability, but is due to what I call cloud rent extraction from other companies whose profits and surplus values are being siphoned off to big tech, well, that is a reason why our system—call it capitalism, call it technofeudalism—is stagnating much, much faster.

Because, you know, as David Ricardo said in his Principles of Political Economy in 1817, if I remember correctly, if you have rent that is taken out of the circular flow of income, and effectively

profits or surplus value are siphoned off in the form of rent, then the whole economy veers right into a rent trap and into stagnation. So if I'm right that more and more of the most powerful capital goods are of the cloud capital variety, then the whole system gets drawn even further into crisis than capitalism was. And therefore, you know, that creates huge problems for the management of the macroeconomy, for central banks. It creates a lot more tensions. It creates a greater tendency towards stagnation. And therefore, it makes war very attractive again as a means of replenishing aggregate demand.

#Glenn

I was thinking, though, what about the internal structures within states? Because what is unique about this new cloud capitalism that you describe is that when tech companies become so powerful, you kind of have a dilemma. Either the state will control the companies, or the companies will increasingly begin to control the state. How do you see this changing society? And also, what happens when these tech companies are foreign?

#Yanis Varoufakis

Well, I mean, let's start with the last part. When Donald Trump was reelected, you know, a year or two ago, the European leadership initially toyed around with the idea of confronting him. Remember when he was threatening to slap huge tariffs on Europe? The Europeans were thinking, "Oh, well, we're going to have to reciprocate with our own tariffs," and so on. It was all totally pie in the sky. Forget tariffs. Imagine that Donald Trump—or, mind you, whoever happens to be the occupant of the White House—were to issue an order to Silicon Valley to cut Europe off.

Gmail, Facebook, Instagram, Starlink, in the case of Elon Musk, Palantir's Maven—you know, press the kill switch on the F-35s that Lockheed Martin provides. And as we know, they come with a kill switch. In other words, the Pentagon can decide that, you know, Danish or British or German F-35s don't fly. It won't take an hour before the whole of the European Union collapses and goes to the White House begging for mercy. So there's no doubt that this new form of capital, which is algorithmic and is driven by Silicon Valley, renders anyone who doesn't own it—in other words, the Europeans and the Japanese and the Australians and the New Zealanders—utterly, utterly bankrupt, geopolitically weak. That's one point. The other point is the one you raised as the first part of your question.

How does this intertwine capital power with government? Well, look, I mean, we know, don't we, that since the 1970s, the financialization drive, which essentially shifted the epicenter of power away from industry towards banking and finance, has weakened governments incredibly. Who was it in the Clinton administration—I can't remember his name—who said that when he dies, he wants to come back as the bond market? Because that's the way to terrorize presidents and governments: by being the bond market, right? So even before we had big tech, before we had cloud capital, before we had AI, the end of Bretton Woods and the transition of power from industry to finance had

already depleted the capacity of the state to rein in capital, especially financialized capital. That was already there. The rot had already set in.

But with cloud capital, we have that situation taken to the power of n, made exponentially, exponentially worse for political power. The reason is twofold. Maybe there's a third and a fourth, but I'm going to concentrate on two. The first one is that, with the expansion of the big tech realm and the penetration of cloud capital into every nook and cranny of our existence, especially now with AI—I don't know about your kids, but our kids are constantly tuned into AI. Whatever question they have, they put it to AI, even when it comes to, you know, "What should I vote for?" They treat AI now as a shrink, as a friend, as a comrade, as a partner, as a confidant.

We used to say, up until a couple of years ago, that youngsters—but not just youngsters, a very significant percentage of society—no longer get their news from the media. They get it from social media. Well, now they don't even get it from social media. They get it from AI. The same AI bot that tells them which coffee maker to purchase gives them information about what happened today in Congress or whatever. So when you've got those tech lords, cloud capital, not only training us to train it to know us really very well, to sell us coffee makers and electric bicycles, but also getting us to view the world through it, then the capacity of government to mobilize society in defense of, let's say, Europe's sovereignty—you know, a fictitious concept—well, that capacity has been smashed to pieces.

The process of privatization that started with financialization at the end of the 1970s, in the neoliberal phase, has now moved to a situation where Palantir is training AI programs in Gaza during the genocide in order to create programs that they then sell to the British National Health Service. And you have the impoverished National Health Service paying hundreds of millions of pounds for data that has essentially been pilfered from the dying population in Gaza. You just need to articulate that sentence to realize how little capacity the demos—the people, the voters—have, through their government, through their elected representatives, to exercise any control over important, even social democratic institutions like the National Health Service in Britain. Then you realize that we live in a kind of science fiction world where The Matrix has become something of a documentary.

#Glenn

You mentioned many things before. If technology is concentrated in the US and China, Europeans are left behind. You mentioned that there will be a stronger proclivity towards war, and governments are losing some sovereignty, especially the Europeans, because they've fallen behind. Yes. What do you see as the European strategy here? Because a lot of these things seem to define the EU at the moment. That is, they don't have any technological sovereignty. They are worried about becoming vassals, or having already become vassals. The war fever is, you know, at an all-time high. So what is the EU's strategy for navigating this new, I guess, industrial revolution or this new tech revolution?

#Yanis Varoufakis

Talking about EU strategy when it comes to AI and big tech is like talking about oxygen on the moon. There is none. You know, there simply isn't any. The other day in Dublin, they got together. Remember that, right? You heard about that. Of course you have. I'm not sure our audience has, so let's say it again. Let's repeat this for the benefit of the people who don't know about this. Our great and good leaders had an informal summit in Dublin only a few days ago, and their agenda read: AI. What will the strategy of the European Union on AI be? They ended up talking about who's going to represent the European Union in any potential negotiations with Russia over the Ukraine war. So they didn't talk about AI. They spent four hours debating who will represent the European Union in such talks, if the European Union is ever invited.

And they spent four hours on that and decided there would be six or seven people who would represent us. They would send the seven dwarfs and Snow White, you know. So there was no discussion even of AI, which was supposed to be on the agenda. Look, it's impossible for the Europeans to have a strategy in AI because they didn't do a China. You know, the reason why China has its own big tech and its own AI is because, a long time ago, they decided to put up a firewall, not to allow Google and Meta and so on to take over their own population, their own cloud. They created their own companies, and then they regulated them. And they have really put the fear of the divinity into Chinese big tech and reined them in and forced a particular direction of AI development.

So unlike Silicon Valley, China's AI is production-oriented, not extraction-oriented. Europe didn't do that. You know, effectively, we're vassals of the Magnificent Seven. And they don't even have a discussion about that. You know, Antonio Costa, the president of the European Council, had this idea of imposing a digital tax, which is not a bad idea. They should have done it a long time ago. But even that was not part of a strategy for reining in Silicon Valley. It was a strategy for extracting a few more euros in order to keep sending money to Ukraine, to keep feeding that war, that interminable war. So there is no strategy.

But allow me, Glenn, to say that you mentioned the fact that cloud capital is now concentrated in two countries: the United States and China. And I think that it is crucial to see that twin-peak situation—the two peaks, cloud capital in the United States and cloud capital in China—as the root cause of the new Cold War and the way in which, in particular, the new Democrats, the Democrats who have now been elected with a huge majority in Congress, are pushing for that war much more so than Donald Trump. Why is this happening? Why are these twin peaks of cloud capital in Silicon Valley and on the west coast of China leading us to increasing prospects of a clash? The reason is that the United States is hegemonic for one reason and only one reason, and that is the preponderance and the central role of the dollar payment system.

American industry does not explain American hegemony, or it doesn't explain American hegemony anymore. What explains American hegemony is the capacity of the United States, because of its dollar system, its monopoly over payments across the world, to absorb other people's surpluses. So it's German capitalists, French capitalists, Japanese capitalists, and to a large extent Chinese

capitalists that are feeding the United States. They are paying for America's deficits, including the military-industrial complex of the United States. The moment the United States loses its exorbitant privilege of this dollar monopoly, that's it. American hegemony dies. People in Washington, D.C., know that. And they will nuke anyone. They will nuke anyone who jeopardizes that exorbitant privilege.

The Europeans are not going to contest the monopoly of the dollar system. Even SWIFT, which is supposed to be a European system, is totally controlled by the Americans. The Africans are not going to do it. India is not going to do it. Even the Chinese government doesn't want to do it because they have $4.5 trillion invested in the dollar system. So why would they want to undermine it? But the American military-industrial complex and the hawks in the Pentagon and the State Department, especially under the Democrats, the Bushes, and so on, have been weaponizing the dollar system in order to sanction their opponents. We've seen this now with Russia. We've seen it with all sorts of people they don't like. And they've been cutting them off from the dollar system in order to impose their foreign policy. I'm not judging.

I'm just stating. And increasingly, the Chinese, but also others, are looking for an alternative payment system to the dollar system. The Chinese have built it. They have a remarkable system for making international payments using blockchain through the BRICS Plus, you know, BRICS Pay system, through the central bank digital currency of the People's Republic. They have built highways for digital payments that are highly underutilized. But they can be utilized. Already, you know, some Emiratis from the United Arab Emirates, Saudi Arabians, Indonesians, Malaysians, and oligarchs are using the Chinese system. The Russians, of course, are using the Chinese system because they've been cut off from the dollar system.

Now, in Washington, they see this. And they see this as a clear and present danger to the monopoly of the dollar. This is why we have the new Cold War. It was started initially, mildly, by the Trump administration in 2018 with the banning of Huawei. Then Joe Biden turbocharged it with the CHIPS Act and the prohibition on exporting advanced microchips to China. You can see the furor over this scandal involving Jensen Huang, the former CEO of NVIDIA. If you scratch the surface, what you find under every one of those episodes is this great fear in Washington that they are going to lose the monopoly over digital payments.

Donald Trump's GENIUS Act, which tries to use stablecoins—US dollar-denominated stablecoins—is also an attempt to bolster the position of the dollar. So the accumulation of cloud capital in the United States and China is one thing. But what really matters is this agglomeration, this getting together, this fusing of cloud capital and finance in China. Glenn, I keep insisting that it's really important to understand that this cannot happen in the United States. This merger of finance and cloud capital that we see in China cannot happen in the United States. Why? It's not a technological problem.

It's because Wall Street will never allow Google and Apple to take over its financial rents. And, you know, the powers that be in Washington, D.C., are absolutely besotted with this fear that, because Wall Street and big tech in the United States are at odds, the Chinese are going to steal an advantage when it comes to cloud finance, and that will jeopardize the monopoly of the dollar system. And therefore, China is a threat. But it's not a threat because the Chinese are trying to undermine the dollar system. It is a threat because the Americans understand that the clash between Wall Street and big tech—American cloud capital—is structural.

#Glenn

So many people compare this to the Fourth Industrial Revolution, when you have all these digital technologies that are now entering other industries, be it in the physical world, like with self-driving cars, or essentially revolutionizing existing industries like the financial industry. What you're saying is that the Chinese didn't have such a strongly established financial sector, so they can kind of leapfrog some technologies and essentially reform that industry as well, without the same pushback as in the United States.

But if the U.S. wants to protect the traditional financial industry and thereby prevents the tech industry from moving in, this is bad for the United States, but what does it mean for countries like Britain, which has a very financialized economy? What does its future look like? Will they be able to use their, I guess, advantage in finance to move ahead in the tech world? Or will their old financial world prevent them from adapting to new technologies? How do you see the future of Britain, essentially?

#Yanis Varoufakis

Well, that will depend on whether the City of London manages to emulate Wall Street. Because the Genius Act, Glenn, was not genius, but it was pivotal. By essentially legalizing and institutionalizing stablecoins, it allowed not so much a merger between big tech and Wall Street in the United States, but it allowed banks like J.P. Morgan to create their own stablecoins, to create their own cloud finance. J.P. Morgan, for instance, has been developing its own stablecoin since the Genius Act was passed, along the lines of Ethereum—not Bitcoin, but Ethereum. Let me explain this for our audience very briefly. Bitcoin is a blockchain where you can simply transfer bitcoins from one wallet to another. That's it.

Ethereum is more complicated. Ethereum has a digital currency as part of it. It's not called Bitcoin; it's called Ether or Ethereum. I can pay you 0.8 tokens in exchange for some service, or—and that is where it differs from Bitcoin—I can pay you in exchange for a digital certificate for some kind of painting. So, you know, a certificate of authenticity or some title deed that effectively gives you property rights over a painting or some other asset, like, for instance, a piece of land or, indeed, a share. And all that happens in Ethereum on the basis of this cryptocurrency, which goes up and

down in terms of its exchange rate with the dollar like a yo-yo. But J.P. Morgan will be doing this with a J.P. Morgan stablecoin that will be denominated in U.S. dollars.

And you will be able to use J.P. Morgan's own dollar, right, a privately minted digital crypto dollar issued by J.P. Morgan, to buy shares. So you know what this means. It means that a chunk of the stock exchange is going to have been sort of shifted onto J.P. Morgan's blockchain. So instead of needing to go with your dollars, with your Federal Reserve money, to the stock exchange to buy shares in, let's say, some airline, United Airlines, you'll be able to do that within J.P. Morgan. You have an account with J.P. Morgan, you have a U.S. dollar stablecoin issued by J.P. Morgan, and you could be buying United Airlines shares with that. So effectively, you have the total privatization of public markets, public share markets. So this is the way in which Wall Street is going. So your question about the British financial system is: will the City of London be able to latch onto that?

And in the same way that, in the 70s and 80s, the City became effectively an annex of Wall Street, would they be able to do this? Maybe. They're pretty smart people, and they have a long tradition of surviving the collapse of the British Empire while retaining their own power. They may be able to do it. We see a lot of investment in AI and big tech in London. It's all City of London-related. So it is possible. But you know what? That puts more bricks in the wall separating Britain from the European Union at a time when the new British Prime Minister is betting on closer relations between the United Kingdom and the European Union. So, in a sense, the City of London is undermining the British Prime Minister in terms of this long-term project of bringing the UK closer to the EU.

#Glenn

I don't want to suggest that all of Europe's problems are because of tech, but surely it plays some part. You already mentioned a few problems with the European Union. For one, it has made itself very irrelevant to the future of Europe in terms of the Ukraine talks. It obviously chose confrontation over diplomacy. I mean, this is one of the big problems: it's become controversial to even suggest that we should talk. And I was just wondering, how do you see all of these problems? Because on the issue of the seven dwarfs, you were mentioning Kaja Kallas before. She's the foreign policy chief of the EU. Yet at the same time, we have EU leaders now suggesting that, well, she can't really participate in negotiations because, you know, she's not qualified. So how did we end up in this position? How do you make sense of this? Because I'm often asked as well, "What is the European Union doing?" And I'm not quite sure how to answer that.

#Yanis Varoufakis

Well, the problem with the European Union is that it consistently tries to follow a third road when a third road doesn't exist. It chooses the third road, the non-existent third road, in order to avoid the choice between the two roads that do exist and are serious options. One serious option, one really existing road, is the road towards federation. If they want to have a genuinely united Europe, they should move towards federation.

But it's not a road that they are even willing to discuss taking. A second road is going back to national governments, you know, disintegrating the EU. That's also a logically coherent choice. I'm not advocating it. I'm saying there are two logically coherent choices. If you want to operate as one, if you want to federate your money, if you want to have a common defense policy, if you want to have a common army, somebody has to order men and women to go to their deaths. Who's going to do that? You need a common government. You can't do this, you know, with 27 people gathering in a room and going through a checklist. You know, it's simply not done.

You can't have a common procurement system so as not to duplicate, you know, the building of jet fighters. So either you move in a federal direction or you move in the direction of renationalizing policies: foreign policies, defense policies, fiscal policies. And they're refusing to do either of those two. Instead, they move in the direction of a third, non-existent road, which is, you know, let's do everything by consensus and let's do this through summits. Now, if you're following the third road and you want neither to federate nor to have nationally based foreign policy, defense policy, fiscal policy, and so on, you end up with Kaja Kallas or somebody like Kaja Kallas.

You know, you supposedly have an EU foreign minister who is not really the EU foreign minister, because no one is going to allow her or him, whoever it might be, to speak on your behalf. Now, when you choose that non-existent third road and you choose to have somebody you call your EU foreign affairs and security affairs representative, you don't really want to give them any chance, even the slightest opportunity, to speak on your behalf. So you stick to a symbolic level, and you have a person symbolizing something that doesn't exist. Then, at that symbolic level, as long as your position is, “We shall never speak to Russia over Ukraine…”

#Glenn

It makes sense.

#Yanis Varoufakis

You select the most Russophobic former prime minister you can think of, a person, Kaja Kallas on this occasion, who advocated a few weeks before she was given that role that Russia should be broken up as a country into many ethnic states. Because that symbolizes the fact that you never want to talk to Russia. You don't want to have diplomatic relations with Russia. But then, when suddenly it hits you that, you know, maybe you must talk to Russia because Xi Jinping is talking to Russia, Donald Trump is talking to Russia, even the Finnish president and the Swedish prime minister and so on talk to Russia, maybe the EU should be talking to Russia. Well, the person you've chosen to symbolize that you cannot talk to Russia cannot talk to Russia. And then, instead of talking about AI in Dublin, you end up having a four-hour discussion, and you end up saying, “Oh, okay, so seven people are going to represent us, the seven dwarfs.” And then, of course, everybody laughs at you, and you're utterly geopolitically irrelevant.

#Glenn

Yeah, it seems they chose Kallas when the objective was—and I think it still is—to go for a long war. That is why they picked the one who would definitely not want to even talk to them. But now, as you say, the Europeans see the train leaving the station. Everyone is getting on the diplomatic track. You know, the war appears to be entering a very critical phase, and they don't want to be left behind. So I get it. They're stuck with the old long-war diplomats, and they have to try to find a way of getting a seat at the table, even though they don't really want to talk. It's a very awkward situation, but at the same time, you see another approach being pursued, which is this military confrontation.

We see a military build-up without much public support, or at least not much public enthusiasm. But also, over the past week or few days, we've seen some concerning developments: the attack on the Russian ship in the Baltic Sea, and now the Russian warships off the coast of Libya. And it's hard to imagine this being done only by Ukraine, without the assistance of the Europeans. So how do you assess all of this? Is this the Europeans getting ready for war with Russia, even though they don't have the capabilities? I mean, if you had a military planner come out and explain what's going on, I think it would be quite challenging.

#Yanis Varoufakis

I very much feel that it's not that challenging. I don't think the European Union is behind these attacks by Ukraine. I don't think they have what it takes to come to the conclusion that they should back Ukraine on those things. I don't think they have any capacity to make any decisions about any of that. They are just, you know, completely lost in a cloud of paralysis. Take Nord Stream, you know, the destruction of Nord Stream. Were the Germans in favor of it? I don't think so. You can see now from the trial that has gone on—I don't know what the German intelligence services were doing, but the German authorities were clearly completely taken aback by the news that it was Ukraine behind it.

Initially, they were saying that the Russians had destroyed their own pipeline, which was, of course, a joke. But, you know, about a year ago or eight months ago, there was a Ukrainian sea drone that was discovered by fishermen in the Ionian Sea. And it was fully armed. It was about to explode. I mean, it could have killed a lot of people. And I think I'm on safe ground saying that the Greek government had no idea about it, even though the Greek government has been completely in cahoots with Ukraine and NATO, you know, at least on paper, and completely committed to the task of perpetuating this war.

And we know why the Ukrainian drone was there in the Ionian Sea: because Greek shipowners would have absolutely no commitment to anyone except their own profit margins. They were off the coast of the Peloponnese, reloading dark Russian oil into their own tankers and taking it to the rest of the world, selling it as Algerian oil or whatever. And the Ukrainians sent a drone to attack one of

those ships the same way that they attacked that ship in Libya. But I don't think the Europeans were behind it. I think that both the Russians and the Ukrainians safely ignore the EU because the EU is completely, you know, as I said, in a cloud of irrelevance and incompetence, trying to work out how to pretend that they have a strategy when they don't.

#Glenn

Okay. I did have a last question, though. Well, let's call it a question about this stage in capitalism. As you say, we Europeans don't seem to have a place in the new tech race. There's deindustrialization going on. There's a massive financial crisis coming, I think, with the unsustainable debt. Again, many economic problems can be outlined here. There's no clear economic model. But once you're in a situation of war, not all parts of society benefit in the same way. So how do you see this now, Europe at war? Whether we call it a proxy war or an almost direct war, whatever it would be, surely there are some who profit. Some have interests in this; others carry the cost, of course, without having an interest in it. But how do you see this? Europe at war: who benefits? Where are the incentives, and where's the pushback coming from?

#Yanis Varoufakis

Well, war always penalizes the majority and benefits the minority. But Europe is in an even worse situation than that. If you look at the United States on the one hand and Russia on the other, military Keynesianism works for the United States and for Russia. The Russian economy has been boosted by the sanctions, by the war, by the revitalization, the re-energizing of moribund Soviet industries that are now functioning and producing weaponry. There is a multiplier-accelerator effect in Russia, and similarly in the United States. Since the 1940s, you know, the engine of growth in the United States has been the industrial complex. And that's why they have a war every year or every two years, you know, to keep replenishing the stocks, to keep the multiplier-accelerator effect going.

In Europe, we're not even going to have that. Firstly, because there is a huge leakage. As we know from standard Keynesian macroeconomics, if you stimulate the economy through expenditure, but you end up purchasing everything from abroad, then you have a leakage. Then the multiplier-accelerator effect doesn't help revive your own industry. It helps revive, in this case, the American military-industrial complex, because they keep buying stuff from the United States. And when they buy from within Europe, what's happening is, you know, Volkswagen cannot sell cars because they haven't invested for 15, 16 years. So now they are shifting whole production lines to grind metal to produce tanks, right? Tanks that are completely useless because even the Ukrainians don't want them. They are death traps.

So some workers don't lose their jobs as Volkswagen workers because now they wear their Rheinmetall uniforms, right? Some workers benefit, but they are very few. We are talking about, you know, at most 20,000, 30,000 workers, when Volkswagen is going to fire 100,000 workers, because this military Keynesianism in Europe doesn't work. Most of it is smoke and mirrors. Look, this

rearmament thing, this Rearm Europe project with hundreds of billions that is being advertised—well, it's a bit like the Green Deal. As I said, smoke and mirrors. The Green Deal—remember, in 2019, Ursula von der Leyen was first appointed president of the European Commission. She promised 1,000 billion euros to be spent—1 trillion—on the Green Deal. Of that 1,000 billion, only 27 billion were spent.

The rest just proved, as some of us were saying back then, non-existent. Similarly, of all this money that is supposedly being spent on weaponry, a small fraction is being spent on European weaponry. The larger fraction is spent on American weaponry, so that doesn't help with European growth or the retention of manufacturing capacity. So, you know, even if you look at it from the oligarchy's point of view—and as I said in the introduction to this long answer, oligarchies have always benefited from war—in Europe, it's not even oligarchies that benefit very much. It's this tiny fraction of the oligarchy. So, you know, even when they are trying to be villainous and, you know, to spend public money on the very few, even then, they're not particularly successful.

#Glenn

Just one quick follow-up question. What are the opportunity costs of this? Because we already have a lot of problems, be it with infrastructure or education. Well, the list goes on. So what do you see as the main opportunity cost? How could we have spent all this war money in a very different way?

#Yanis Varoufakis

Well, the opportunity cost is the future of Europe. They've jeopardized the future of Europe, not just now with all this military spending, but, you know, go back to the midst of the euro crisis, when they imposed austerity on everyone from Greece all the way to Germany and printed 7 trillion euros, which was completely wasted. Back then, it didn't go to weaponry. It went to Volkswagen so that Volkswagen could buy back its own shares and not invest. Now, again, they're issuing debt, which, of course, the European Union budget is not going to be able to repay. Already, we're unable to repay it.

You can see all the ramifications of the failure to agree on an EU budget because they can't repay the loans that they took during the pandemic to effectively support the oligarchs in the south, in Italy, in Greece, and so on. And now they're going to use the same kind of debt, unsustainable debt, to support Rheinmetall and Leonardo and the arms dealers. And the tragedy, Glenn, is that there is all this money in the financial circuits of the European Union. The European Union's tragedy is that it's got too much money, which is not being invested in the things that Europe needs.

And it is either wasting it on asset prices, like, you know, share buybacks, as we had during the euro crisis, or on weaponry, which can never be used anyway because there's no one to decide when we're going to go to war with anyone, because we don't have a federation. So, you know, I think the European Union's demeanor over the last 15, 16, 20 years, and today and tomorrow and the year

after that, is going to be a fantastic case study for future students of history who will be delving into it in order to learn lessons on how a very powerful and economically rich bloc wasted its resources.

#Glenn

Yeah, this is a big contrast, at least. I remember, for those of us studying the EU in the 90s and the 2000s, we were studying and teaching the EU as a case study of great success, this kind of peaceful integration, especially how the EU was a model for the world, how it had broken with the past and all these things. And now, instead, it's become a case study of how it threw everything away. But it's fascinating. And thank you so much for your time, as always.

#Yanis Varoufakis

As always. Thank you, Glenn.