

Yanis Varoufakis: U.S. Surrenders to Iran & Gulf States Must Adjust

Yanis Varoufakis is an economist, the former Finance Minister of Greece, and the author of numerous bestselling books. Varoufakis discusses the US-Iran Memorandum of Understanding (MoU) and why it is likely to be implemented, how the Gulf States must adjust, and why Europe's growing irrelevance cannot be reversed with military Keynesianism and war. 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/gdiesen Go Fund Me: <https://gofund.me/09ea012f> Books by Prof. Glenn Diesen: <https://www.amazon.com/stores/author/B09FPQ4MDL>

#Glenn

Welcome back. We are joined again by Yanis Varoufakis, a professor and former finance minister of Greece, and also the founder of DiEM25, the Democracy in Europe Movement. So thank you for coming back on.

#Yanis Varoufakis

Well, thank you for having me, Glenn. It's great fun talking to you, and sometimes quite useful for the audience, not necessarily for us.

#Glenn

Well, I've been really looking forward to getting your take on this memorandum of understanding. Again, I think for most people who looked at the war honestly and analyzed it accordingly, they realized that the Americans were losing this war. And I guess that will be revealed in this memorandum of understanding. But these 14 points, even for me, they seem to go a bit beyond what I had expected. I can't imagine this being implemented because it's going to be too difficult given the extent of the defeat here. But I wanted to ask you, though, how do you interpret this? Because this is quite a shock to not just the U.S., but the world at large.

#Yanis Varoufakis

Is it not interesting that they call it the Versailles Treaty? Because this is, in a sense, a kind of dialectical inversion of the original Versailles Treaty. It would even make someone like Hegel blush, that the self-declared winner, the United States, is putting up to 300 billion to reconstruct its victims.

So, as we said, I can't see Congress ever going along with that. There are so many obstacles. Let's not mistake this memorandum for a done deal. We are light years away from any Iranian bank account seeing a single dollar from the Americans. I think the Iranians know that. But it is symbolically hugely important that this memorandum of understanding has been signed.

It is a declaration of an unequivocal victory for Iran and an unequivocal, I shouldn't say defeat, but temporary sort of surrender, temporary surrender at the diplomatic level by the Trump administration. It's profoundly important for the general, you know, in the Middle East, in what we should be calling West Asia, because essentially the Gulf Council states are now out on their own. The Abraham Accords that Donald Trump had initiated with great success during his first term—now the whole logic of essentially co-opting Arab states into the American design, where Israel plays the linchpin role within the Western Asian, Northern African countries—that's gone. That's gone. The Abraham Accords now are dead in the water as far as the original design was concerned.

The Europeans have been left out in a spectacular fashion. Never has Europe been so irrelevant in momentous developments around the world. And, you know, in the end, we have possibly the first serious rupture in the official relationship between the United States and Israel. Netanyahu has the capacity to wreck this deal, but at the same time, this capacity and the fact that he's exercising this power is, for the first time, creating a rupture between the Israeli establishment and the Republican Party. So all these are quite momentous developments that I think are current, they are significant, and they are independent of whether this MOU, this Memorandum of Understanding, develops or evolves into a treaty, which, as you said before, I find it hard to believe that it will be.

#Glenn

But, yeah, I also get the impression that the U.S.—well, at least one of the benefits here for the Americans—is they're buying some time to get some oil back to the markets. And indeed, when Trump was asked about this memorandum of understanding, he was making reference to them only having four weeks of oil left, so it had to be done. That's not the same as suggesting you will implement it. For me, this reads as buying time. But still, it will have significant impact. The language now being used about Israel—do you dismiss this as theater? Because even if it would be theater, this is quite powerful language. It will certainly reshape some of the discourse and politics of both Israel as well as the United States.

#Yanis Varoufakis

Well, theater should not be underestimated. Theater is very important, has been important in human affairs right from the beginning, from 5,000 years ago. That particular theatrical act by, let's say, J. D. Vance—the language that he used was essentially a declaration that his side of the MAGA movement—remember, there are two factions in the MAGA movement: the one that is dominated by Trump's own family, that are in bed with the Israelis in every way—real estate, AI, all sorts of business deals—and the other side of the MAGA movement that are very skeptical of the manner in

which Israel is dictating policy to Washington, D.C. J.D. Vance's language now, in the wake of this memorandum of understanding between Trump and the president of Iran, is a declaration that the Israel-skeptic part of the MAGA movement is now getting the upper hand.

It's an "I told you so" moment. What did Vance and his faction of MAGA say to the administration, which now is being confirmed? Well, you know, if you are totally in the pocket of Netanyahu, Netanyahu is going to drive you to a cul-de-sac. He's going to drive you to a dead end. And this is the dead end in which Trump found himself when he started bombarding Iran, when he started the war against Iran. And now he's trying to reverse out of it. And he had no other alternative because, you know, the MAGA movement generally is suffering really very badly. I mean, these are the blue-collar workers, Glenn, that put him in power.

And they simply can't make ends meet because of the price of petrol at the gas stations in the United States. Some of his constituents benefited enormously—those who had invested in AI, and those who live off the fracking oil and gas business in the Permian Basin in New Mexico and in Texas. But the vast majority of his voters, whom he needs in November, in the midterms, in order to stay relevant and not become a lame-duck president—their interests, their survival probability dictated to him that he sides with J.D. Vance against Rubio and against the CIA and against those who are completely in cahoots, like his son-in-law, with Israel. So all that is hugely significant.

#Glenn

But which would you think is the most difficult one to implement of all of these points? Because it had a lot. First of all, all hostilities had to be suspended, which included Lebanon. Very specific. And I'm mentioning Lebanon, not Gaza. But, you know, that's more complicated because of the whole, you know, Board of Peace approved at the U.N. But, you know, so you have the Lebanon issue. Then you have, you know, which means you have to disentangle the Israelis. Ending the U.S. blockade on Iran might be easier. Of course, paying \$300 billion to essentially fix what America destroyed in Iran, this is, you know, for a variety of reasons, could be difficult. But removing all sanctions, not putting new sanctions on Iran, and, of course, saying that, well, Iran can't charge a fee in the Strait of Hormuz for the first 60 days, you know, where no fee existed in the past. So not at all, but a fee. What do you think will be what is possible and what is not possible on this list? I mean.

#Yanis Varoufakis

Well, you asked me to pinpoint the one item in that catalog that is the least likely to be implemented. And I think any transfer of monies from the United States to Iranian bank accounts—that will be the difficult one. Because Congress has a significant amount of control over that. And the Democrats, together with the neocons among the Republicans, the Democrats, pro-Israeli Republicans—they're going to block funds. And it will be very hard for Trump to move along in that direction of actually transferring funds, of unblocking. It's not a question of the United States giving

Iran its own money. To begin with, the number one item on the agenda regarding Iran's dollars is granting Iran access to its own dollars that have been frozen now for decades.

That will be very hard for Trump, especially given that in 2015, when Obama struck his deal with Iran, including the Europeans who were gung-ho in favor of that deal, you recall, Donald Trump went haywire. He went absolutely ballistic. And the one thing that he was targeting was, "You are going to give them their money back? How dare you?" So, you know, I can imagine now, you know, campaign advertisements being prepared by Democrats and also Trump's Republican opponents within his own party, exposing him as a fraud and as somebody who was going back on his word. And, you know, you're doing far, far worse in global commerce than what you were accusing Obama of doing vis-à-vis returning Iran's savings or assets to Iran. So I think that's the hardest.

Regarding Lebanon, I think that, you know, Iran scored a magnificent diplomatic victory against the United States, particularly Israel, but also the opponents of Hezbollah within the Lebanese parliament. By making it clear that a ceasefire in Lebanon, the end of hostilities, and the removal of Israel's troops from South Lebanon is part and parcel—it's a very significant, very substantial part—of the first item of the memorandum of understanding. Essentially, Hezbollah, aided and abetted by Iran, has been given a major victory. Because let's face it, the Lebanese have been bombarded and invaded by Israel since time immemorial. And Hezbollah was the creation of one of those invasions in 1982. Hezbollah didn't exist before that.

It was the ruthless, murderous invasion in 1982 of South Lebanon that created Hezbollah. And, of course, Iran took advantage of that. Iran didn't create Hezbollah; it took advantage of the emergence of a resistance movement amongst the Shiite population of Lebanon and supported them, and acquired, without much effort, a major ally in Lebanon. And now that ally, which was up until, what, a year, two years ago—it was supposed to have been wiped out by Israel—is now back. And not only is it back, but it is the guarantor of peace and, you know, of the end of the hostilities, courtesy of the Iranian intervention with the Americans, the guarantor of peace for the Lebanese.

So that is a major success, both for Iran and Hezbollah. And that cannot be taken away by Congress. But the money transfer to Iranian bank accounts can be stopped. The question is, are the Iranians, is the Iranian government going to throw a spat when the money is delayed and doesn't arrive in their accounts? Or are they realistic enough to know that it was a symbolic victory, that this commitment to transfer its own funds back to Iran was in the memorandum of understanding, gave them a lot of legitimacy in the region and within Iran, and they'd be very reluctant to blow up this kind of agreement with Washington, D.C.?

#Glenn

Yeah, no, I think that's a good point, because I do think that the American approach will be to string the Iranians along. That is, you know, we can't release these funds because of Congress. But if Iran gets something out of this—that is, for example, the U.S. begins to distance itself from Israel or

pushes it to cease some of its hostilities—what would be the interest of Iran to throw away everything, as opposed to holding on to the little it gets, and then possibly, over time, the Americans would incrementally, you know, cut a little bit more and more until there's nothing left? At least this is what, you know, they've usually done in the past. But it will be interesting to see how the Iranians respond, because, as you said, throwing it all away would be, I mean, a waste as well.

But for the region, you mentioned the Gulf states before. That is, the U.S. relationship with the Gulf states is quite important for the United States. This is a key region for transport, its energy, it upholds the petrodollar system. I mean, how do you see the U.S. relations with the Gulf states being impacted by this? Because even if, as you said, the memorandum doesn't result in a deal, it's not implemented, surely this signifies a new position for the U.S. in the world. I mean, if you're sitting in the Gulf states, would you put all your eggs in the American basket if they're no longer the winning horse? I mean, again, it becomes some speculation because we haven't seen this before. But how might relations be impacted?

#Yanis Varoufakis

Well, for the Gulf states, this Versailles deal is a relief tinged with existential dread and fear. They were caught in the crossfire of a war they did not want. Of course, in that context, they realized that having put all their eggs in the U.S. security umbrella basket and allowing their territory to be used by the United States was a strategic error. It's clear that they understand that now. And this memorandum actually does not resolve their predicament. It merely highlights the permanence of their troubles and their woes. The Revolutionary Guards of Iran remain emboldened. They are capable of threatening the Strait of Hormuz, closing it down at any point in time.

Now they have effectively been enabled to charge fees. They will not call them fees. Already we know—this is information I had last night—that about 30 vessels crossed the Strait of Hormuz and they have been charged an insurance cost. It's called an insurance cost by the Iranians, and that is within the confines of this memorandum of understanding. So, you know, the Gulf states can see that this is now permanent. And, you know, the use of missiles and drones that are very, very cheap to produce—they can be produced by Iran in huge numbers—and they can only be shot down by American weaponry or Israeli weaponry that, firstly, is extremely expensive.

It's, you know, they cost a hundred times more per pound of flesh than the Iranian attacking drones and missiles, and they cannot be produced and supplied in similar numbers. So, you know, this is something that I have no doubt all six Gulf Council states will take very, very seriously. Now, the fact, however, is that—and I think this is a very important point—that we shouldn't lump these Gulf states all together. There are very significant differences in their outlook. So you have Qatar and Oman that lean towards de-escalation with Iran. They've always tried to accommodate Iran, the Islamic Republic. Then you have the United Arab Emirates. They have a confrontational stance against Iran. They are gung-ho about their complicity with Israel, their alliance with Israel.

And they are left out hanging to a very large extent, because Saudi Arabia, which is, of course, the most significant ally within the Gulf, has been since 2019. Remember when Iran, with its Houthi allies, launched a massive attack on petroleum refineries, petroleum facilities in Saudi Arabia? Since then, Saudi Arabia realized that they need to find some kind of accommodation with Iran, and using China as a go-between, they established a détente with Iran—something very, very different from the stance of Abu Dhabi and Dubai, or the United Arab Emirates. We already see that the commitment of the Saudis to purchasing American weaponry has waned in the last few weeks.

Already there are pacts being signed, negotiated with Iran, France, and with Canada. It seems to me that these Gulf states are seeking alternative sources of weaponry from the United States. So, though the United States will remain central to the Gulf states' political economy, because these countries are essentially hooked up to the petrodollar system, which is an essential part of the mechanism that reproduces American hegemony around the world. What I mean by that is that, you know, I've always had the view that since the early 1970s, ever since the Bretton Woods system was blown up by Richard Nixon, the United States' hegemony is based on its capacity to expand its twin deficits—its trade deficit on the one hand and its budget deficit, federal budget deficit, on the other—by making other people's capitalists pay for them.

And the Gulf states were essential in recycling their own surpluses into the United States, covering and paying for the twin deficits of the United States. So, you know, the Gulf states are effectively vassals of the United States in that sense. And this is why they thought it was a good idea, and it was a no-brainer, that in the same way they are part of a dollar empire—and they make a lot of money out of that dollar empire—but they are vassals within that dollar empire. What was wrong with also becoming vassals within, you know, an extended NATO, that is, the United States military presence in the region that offers them security?

Well, what Iran has done now with the closure of the Strait of Hormuz and the demonstration of its capacity under intense, furious, and murderous bombardment from the United States and from Israel—to keep attacking Dubai, Abu Dhabi, Kuwait, Bahrain, and to do so surgically and go for American assets, go for data centers—I remember Aramco was hit quite badly in Bahrain and Saudi Arabia. They launched 3,000 missiles and drones only against Dubai. And they did this while being under attack, something that no one else has ever managed to do. You know, even the Vietnamese during the Vietnam War did not have the capacity to retaliate when being bombarded by B-52s. So now, with this MOU that has been signed in Versailles and in Tehran, what can these Gulf states make of it?

The only conclusion they could draw is that it was a huge mistake to rely on the American defense umbrella. Their business model has been substantially undermined, and the business model is not just fossil fuels; it is the process of decoupling from fossil fuels. So remember, you know, Dubai gets about 30% of its GDP from tourism—and that's gone. I mean, now they realize that Tehran can press a button and kill it off. So it will be very interesting to see how this whole thing percolates. My view is that there's going to be a split. The United Arab Emirates will stick much closer to the United

States and Israel, but Oman, Qatar, Bahrain will join Saudi Arabia in a search, using Beijing, using China, for a rapprochement with Iran.

#Glenn

Well, I think many of them are already moving a little bit in this direction. That is, for the Saudis, you know, they don't want to be a vassal. I think many there saw, for example, the rise of China, this new international distribution of power, allowing them to have a more balanced foreign policy—that is, to link up with more of the large powers. So they wouldn't be beholden to anyone or a vassal, as you say. But, of course, these Gulf states, they do have an important role in, again, what you call the dollar empire, which is a very proper term for it. But what are the wider implications there? Because all of these petrochemicals, they're being pumped into AI, which is important in the rivalry with the Chinese. And can the United States afford to see the Gulf states essentially turn away? I mean, how fragile is the petrodollar? Because one shouldn't assume that the whole thing will fall apart overnight just because of this. But again, this is quite a significant event. Yeah.

#Yanis Varoufakis

It is indeed. And, you know, I've been saying now for a few weeks that the alarm bells regarding the fear in Washington, D.C., that the dollar empire is being threatened by the war that the Trump administration so idiotically embarked upon—those alarm bells started ringing, at least in my head, when Scott Pessent, the U.S. Treasury Secretary, out of the blue announced that he's granting a swap line through his Treasury to the Gulf States. And, you know, that would have made absolutely no sense if you didn't have in mind—if I didn't have in mind—that understanding of how dollar hegemony is based on recycling other people's dollars.

And the reason why it wouldn't make any sense is because, you know, Scott Pessent, the American Treasurer, is far more impecunious than the Gulf states are. He's got less access to dollars than these states do. These states between themselves have something like six and a half, seven trillion American dollars of assets, cash, and so on. And, you know, why do they need a swap line of 20, 40 billion? They don't need it. So why is he offering it? And, you know, my interpretation, Glenn, is that he was not offering a bailout to the Gulf states to tide them over during their hour of need when, you know, their revenues are drying up due to the closure of the Straits of Hormuz or to the closure of the airports, the closure of their hotels, and so on.

No. Scott Pessent was signaling to the American money markets that he is there, ready and willing to prop up the dollar empire. And I will conclude this little soliloquy of mine by saying that if you look at the agreements that the Trump administration had with the Gulf states over the last year and a half, ever since Trump was inaugurated for a second time, the agreements were for at least \$3.5 trillion to flow from the Gulf states to the United States. That money would be at least \$2 trillion for

investments into AI in the United States, and another \$1.7 trillion of weapons that would be purchased, particularly by Saudi Arabia, but also the UAE and other countries of the Gulf from the United States.

Now, you know, that money was supposed to have been transferred within 18 months. We're talking about 3.5, 3.7 trillion dollars that are essential to keep the American money markets going and to keep them from having their bubble burst, the AI bubble burst. And that money, the moment the war started in Iran, the moment the bombs started raining down upon the people of Iran and Iran retaliated, that money dried up. There's no way that the Gulf states would send \$3.7 trillion to the United States when their own revenues dried up. It's not that they lack the dollars. As I said, they have 6.5, 7 trillion.

So they didn't need the bailout. They didn't need the swap line from Scott Pessent. So Scott Pessent's statement regarding the issuing of a swap line or the offer of a swap line to the Gulf states was all about not bailing out the Gulf states. They didn't need it. But it was a declaration to the money markets, both bondholders in the United States and speculators on equities, that the Treasury was ready to pump up liquidity in the money markets in order to ameliorate for the fact that fewer petrodollars would be flowing due to the war from the Gulf states to New York City.

#Glenn

Well, this, of course, will have not just an impact on the U.S., but you mentioned before that Europe showed how irrelevant it had become. And indeed, it was quite absent, and I thought it was a bit strange to see European leaders say they fully supported the U.S. position in these negotiations and the memorandum, even though they didn't know what was in it. So it was a bit like the Saudis. It was behavior, you know, proper of vassals. But how will they be affected by this war? Because again, they weren't direct participants, but are there any wider ramifications that will affect Europe?

#Yanis Varoufakis

Well, you know, Europe is already stagnating. The cost of living crisis is getting worse as a result of what's happening. But these are all, you know, effectively we're collateral damage. But there's more to it than that. You heard Pete Hegseth, the, you know, Secretary for War of the United States, announcing that he's going to go through a review, a review of America's military commitment to Europe. And essentially—sorry about that, that's my daughter calling—I'll say this again. Essentially, what he was saying is that the United States is not going to formally withdraw from NATO or anything like that, nor shut down its bases, but it's going to relocate much of its military expenditure from Germany, from Brussels, from Britain, to West Asia, or more likely to the Far East.

And, you know, this is the dialectical twist here. These restrictions that he's going to impose upon Europeans will be legally grounded in bilateral basing agreements that grant that essentially what he's going to be saying is that unless you let us use our bases in Europe any way we want, without

any of the restrictions that we saw during the Gulf War—because there were some restrictions, at least theoretically, placed upon the United States on their use of European bases—so there is this. Now, personally, I don't give a damn.

I would like to see all the American bases in Europe go. But our establishment in Europe is not of the same opinion. They rely, or they think they rely, on the United States for the defense of Europe, but much more so they rely on the cash injections into their own economies. The area around Ramstein in Germany, for instance, is totally dependent on the presence of the American military there. So, you know, the insecurity in the minds of Europe's leaders is caused by their inability to understand that the United States and NATO have never defended Europe.

They have been detrimental to the safety and security interests of the European Union and of Europe. You know, this inability to grasp that, unwillingness to grasp that. In many cases, their salary depends on not grasping that, if you know what I mean. But nevertheless, the fact that they were totally out of the picture during the Iran war—the only time they were mentioned was when Donald Trump berated them for being cowards and not helping him out, as if they could. In conjunction with Hegseth's review now of American military commitment to Europe, it's creating a great deal of consternation among them. But, of course, it really doesn't matter from the perspective of the majority of Europeans. We are vassals to the United States.

We have swapped one dependency for another. We used to be dependent on cheap Russian gas. Now we are dependent on hugely expensive, in fact, natural gas from the Permian Basin, from New Mexico and from Texas. We have no energy plan. We have no energy union. We have no European answer to the question, you know, what are we going to do? Are we going to become more embedded in the petrol sphere around the world, you know, the part of the world that increasingly depends, courtesy of Donald Trump's policies, on fossil fuels, or are we going to become electoral states increasingly turning to solar power and renewables that produce electricity, with the concomitant replacement of the internal combustion engine by electric engines?

So there is no such discussion in Europe. And the absence of that discussion, together with the impotence of Europe in any of the major theaters of conflict, whether it's Ukraine, or whether it is Iran, or whether it's Palestine, and the inability of our leadership to exit the Atlanticist mindset, which is simply not fit for purpose anymore, not even from a right-wing conservative perspective. If you put all these together, what you end up with is Europe's image or sight as a chicken that has lost its head and is running around bleeding without knowing what is happening to it.

#Glenn

Yeah, well, I think that picture summarizes well the state of Europe. I'm wondering, though, the humiliating defeat in Iran — this could have some bad implications for the Europeans, because I think Trump's going to be in desperate need of a win. That is much like the Venezuelan victory — well, if you can call it a victory — emboldened him to go into Iran. I feel the humiliating defeat in

Iran will give him a need for another win. So be it seizing Cuba or Greenland, if it's the latter, this could be, again, problematic for the Europeans. I saw Marco Rubio not that long ago make the comment that, well, he was asked if he recognizes that Greenland is a part of Denmark, and the answer was, well, for now, or something along those lines.

But my last question, though, was therefore the other great war — one that worries me a bit more because it has that potential of escalating very quickly into, potentially, a nuclear war — is the Ukraine war. How do you think the defeat in the Iran war will impact the Ukraine war? Because I see kind of two possible paths. One is if the Americans really want to end this war, this would free up a lot of their focus. They can try to get a win by ending that war. Alternatively, if the objective is more to outsource the war to the Europeans and have them essentially bleed themselves white in order to weaken Russia, then it could also escalate there. So I was just wondering, how do you see the situation? Do you think this is going to get worse? Or, in general, how will it affect the Ukraine war?

#Yanis Varoufakis

Well, I'm not into the prediction game, but what I can comment on is that the second option that you mentioned — that is, subcontracting, as they have already done, the Ukraine war to the Europeans — that is the Americans subcontracting, not so much the war itself. They can't subcontract the war because the Europeans have no intelligence capacities. They can't provide the Ukrainian army with satellite data, with briefings from the CIA. They just can't do that. All they can do is buy American weapons and send them to Ukraine, which they have been doing. So I don't think that the Americans can subcontract the war to the Europeans, even if they want to, because the Europeans cannot carry that burden.

#Glenn

They just don't have the capacity, and they don't have the money.

#Yanis Varoufakis

I mean, remember, they borrowed a bunch of billions from the markets recently. What was it, 90 billion? I think that money has already run out. And I don't think they have the capacity to borrow more. If you look at the European Union budget, it just can't afford it already. You know, they are haggling, as we speak now, they are haggling in Brussels over the next seven-year budget of the European Union. And they can't make ends meet because now the chickens are coming home to roost. Remember the Next Generation EU, the recovery fund, as we all refer to it, of about 700, 800 billion that was borrowed in order to divvy it up amongst the oligarchs over the last couple of years, three years.

Well, you know, that money now has to be repaid. So the Europeans will have to find that money every year to repay the loans that they took out for the recovery fund, while at the same time, you

know, are they going to borrow more on behalf of Ukraine? I mean, the fantasy that Russia is going to be made to pay reparations surely, surely, surely must have, you know, sort of dissipated, even in the minds of such irrational people as the European leadership. They can't be that irrational to think that they're going to make Putin pay. So they know that. So I don't believe that this war can continue for long with the Europeans running it. So the Americans will continue to run it as they are doing, but not so much pay for it.

My suspicion—this is not a prediction, Glenn, it's a suspicion—my suspicion is that at some point, once he is finished with Iran, if he's finished with Iran, and in order to save some face, I remember what he was saying before he was inaugurated, that he can end the war in Ukraine in 24 hours or something, in one day. At some point, he's going to put on the table a peace deal between Russia and Ukraine and say to the Europeans and to the Ukrainians, take it or leave it. And if you leave it, I'm leaving the whole thing. I'm going to switch off the briefings. I'm going to switch off the data that is being shared with Ukraine. That's my hunch, but it's no more than a hunch.

#Glenn

Well, he could have done that a year and a half ago, and he didn't. But again, in the words of Trump, if the Europeans want to buy American weapons to fight Russia, then America's okay with it. And that was kind of my, you know, I thought this was an honest approach, at least—that is, the US makes some money, their allies become more dependent and carry the economic burden to weaken an American adversary. So, not from a moral perspective, but otherwise it makes sense, I guess, if the goal is to restore the empire.

#Yanis Varoufakis

Except that the Europeans can't afford any more American weaponry on behalf of Ukraine. They've run out of money. They're running out of money very, very fast.

#Glenn

Okay, so they split the report down now in Politico. That is, the EU is apparently now deeply divided because many countries would like to open diplomacy with the Russians, but essentially the French and Germans, they are saying no. And even if there are any talks, it shouldn't be led by the EU itself. It should be led by the E3—that is, France, Germany, and Britain—who happen to have the three most unpopular leaders in Europe. But put that aside, why don't they want to put an end to this? They just saw this humiliating defeat now in Iran. They can see, I hope they can see, where this is going in Ukraine. I mean, why still go on?

#Yanis Varoufakis

Two reasons, in my estimation. Two reasons. Firstly, France and Germany don't have a growth model. In 2019, remember, the Green Deal was supposed to be Europe's engine of growth. Ursula von der Leyen, supported by Germany and by France, was going to spend 1,000 billion, that is 1 trillion, on the Green Deal. Of that 1,000, 29 billion were spent. That went out the window. It just died. Also, with the demise of the German Greens from the German parliament and the rise of the right, the Green Deal died. So the only growth gain left to Germany and France is weaponry. And the Ukrainian war is essential for convincing, given the fiscal stress of their governments, and given the fact that neither Germany nor France have powerful governments.

I mean, Friedrich Merz, the German chancellor, can't even command respect within his own cabinet, let alone the rest of the country. Emmanuel Macron is a lame-duck president. So, you know, they don't have political power within their countries, and the only thing they can do in order to maintain a semblance of investment, of money flowing into businesses, especially manufacturing, is weaponry—you know, Rafale planes and Rheinmetall tanks and missiles and ammunition. But for that, they need to convince a very skeptical public that resources that are very scarce and often have to be shifted from social spending, from health and education and infrastructure, to Rheinmetall, to Dassault for weapons manufacturing, are essential because, you know, we're facing—we have a war in our backyard.

So they need that war to continue. They need Russians and Ukrainians to be dying. They need, you know, energy prices to be sky high in order to maintain what is a really pathetic growth model. That's one reason. The second reason is, imagine that Merz and Macron had an epiphany. They go together and they say, oh, come on, we have to end this awful war in Ukraine. And they were to put forward a plan, a peace plan, that was going to be taken to Moscow. What would happen? I'll tell you what would happen. The Baltic states would vibrate immediately. So would Finland, because this Finnish regime now has gone completely AWOL. They've become warmongers galore. Similarly with maybe Poland. Maybe Tusk will veto it too.

And they will veto it, these countries, for only one reason: because these governments, especially the Baltic states, have learned over the last 20 years or so that the way to punch above their weight in the European Union is by maintaining tension between NATO and Russia. So Macron and Merz—especially Macron, I happen to know him personally; I don't know Merz personally—he's smart enough, he's a smart tactician, to know that whatever proposal for a peace deal with Putin he puts on the table, he's going to be humiliated by the Baltic states and Finland, and maybe others, and Poland, maybe Sweden, who say, "No, go away, we do." And then what is he going to have? Yet another proposal of his being shot down in flames.

#Glenn

You would think that at least the Germans would have learned some poor historical lessons with this military Keynesianism as a growth model. But why? Yes. Well, I was going to say, you would think there would be more opposition.

#Yanis Varoufakis

Do you have any evidence that the German establishment learns from history? Because I haven't seen any.

#Glenn

Fair enough. I stand corrected there. So anyway, thank you very much for taking the time on a Saturday to speak. Have a great weekend.

#Yanis Varoufakis

Thank you very much, Glenn Diesen.