

NATIONAL PRESS CLUB STATEMENT

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Thank you very much, thank you ladies and gentlemen. It is with a deep sense of the obligations and dues we owe to the owners of the land on which we meet today, the Ngunnawal people, that I, too, pay my respects to their elders, past, present and future. I also wish to note and acknowledge the special role played by the women of the first nations, not just because last week we marked International Women's Day, but because of their leading role as custodians of complex knowledge, as community organisers, and as beacons of wisdom especially for those of us afflicted with a masculine condition.

Ladies and gentlemen, today I look forward to discussing with you some thoughts, concerns and ideas about Europe and Australia with a view to reclaiming a shared future for our two continents in a world where Europe and Australia are increasingly marginal. And to do so not just as a European politician but also as a proud citizen of Australia.

Europe and Australia are facing a common existential threat: a creeping irrelevance caused, on the one hand, by our failure properly to invest and, on the other hand, by our ill-considered slide from a strategic dependence on the United States to a non-strategic, self-defeating servility to Washington's policy agenda.

The three post-war phases that shaped Australia's and Europe's habitat

Our present moment in Europe and in Australia has been shaped by three distinct postwar phases.

The first was the Bretton Woods system. America exited the war as the only surplus, creditor country. Bretton Woods, a remarkable recycling mechanism, was, in effect, a dollar zone built on fixed exchange rates, sustained by capital controls, and erected on the back of America's trade surplus. With quasi-free trade as part of the deal, Washington dollarised Europe, Japan and Australia to generate aggregate demand for the products of its factories - whose productivity had skyrocketed during the war. Subsequently, the US trade surplus sucked the exported dollars back into America. The result was twenty years of high growth, low unemployment, blissfully boring banking and dwindling inequality. Alas, once the United States lost its trade surplus, Bretton Woods was dead in the water.

The second phase was marked by the violent reversal of this recycling mechanism. The United States became the first hegemon to enhance its hegemony by boosting its trade deficit. Operating like a powerful vacuum cleaner, the burgeoning US trade deficit hoovered up the world's net exports. And how did America pay for them? With dollars which it also hoovered up from the rest of the world as German, Japanese and later Chinese capitalists sent to Wall Street 70% of dollar profits made from their net exports to the US. There, in Wall Street, these foreign capitalists recycled their dollar profits into Treasuries, real estate, shares and derivatives.

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This audacious inverted recycling system, built on US deficits, required ever increasing American deficits to remain stable. In the process, it gave rise to even higher growth than the Bretton Woods era, but also to macroeconomic and financial imbalances as well as mind-numbing levels of inequality. The new era came complete with an ideology (neoliberalism), a policy of letting finance rip (financialisation), and a false sense of dynamic equilibrium - the infamous Great Moderation built on hugely immoderate imbalances.

Almost inevitably, on the back of the perpetual tsunami of capital rushing in from the rest-of-the-world to Wall Street, financiers fashioned gigantic pyramids of complex wagers – Warren Buffet’s infamous Weapons of Mass Financial Destruction. When these crashed, to deliver the Global Financial Crisis, two things saved Wall Street and Western capitalism:

- The G7 central banks, that printed a total of \$35 trillion on behalf of the financiers from 2009 to last year – a peculiar socialism for bankers. *And,*
- China, which directed half its national income to investment, thus replacing much of the lost aggregate demand not only domestically but also in Germany, Australia and, of course, in the United States.

The third period is more recent. The era of technofeudalism, as I call it, which took root in the mid-2000s but grew strongly after the GFC in conjunction with the rapid technological change that caused capital to mutate into, what I call, cloud capital – the automated means of behavioural modification living inside our phones, apps, tablets and laptops. Consider the six things this cloud capital (which one encounters in Amazon or Alibaba) does all at once:

1. It grabs our attention.
2. It manufactures our desires.
3. It sells to us, directly, outside any actual markets, that which will satiate the desires it made us have.
4. It drives and monitors waged labour inside the workplaces.
5. It elicits massive free labour from us, its cloud-serfs.
6. It provides the potential of blending seamlessly all that with free, digital payments.

Is it any wonder that the owners of this cloud capital – I call them cloudalists – have a hitherto undreamt of power to extract? They are, already, a new ruling class: today, the capitalisation of just seven US cloudalist firms is approximately the same as the capitalisation of *all* listed corporations in the UK, France, Japan, Canada *and* China taken together!

Where did the money for so much cloud capital to accumulate come from, if not from profits? Remember the \$35 trillion of central bank monies printed to refloat Western banks? That’s where. For example, 9 out of every 10 dollars that went into creating Facebook came from these central bank monies.

So, the issue is not what AI will do to us in the future but what cloud capital has already done to us. And now a question of immense importance to Europe and to Australia: In which countries is cloud capital, and with it the exorbitant extractive power it grants its

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owners, concentrated? In the United States and in China. Nowhere else! Hold that thought, while I turn to Europe.

Europe

Most of you will know me as the ejected finance minister of the most bankrupt European state – though I take solace from hearing that several people here in Canberra, including a government minister or two, knew me first as their Sydney University lecturer. Lest we forget, I was elected to that post *because* of a catastrophic collapse caused by Europe's inane handling of an inevitable crisis, hot on the heels of the Global Financial Crisis – with Greece the canary in that mine.

The reason Europe was damaged permanently by the GFC was our ludicrous monetary architecture: A monetary union that had a central bank but no federal treasury to have its back. And nineteen state treasuries without a central bank to bankroll the bailouts of their nineteen separate banking systems! In short, even if European governments wanted to emulate the sensible response of the Rudd government to the GFC, we lacked the institutions to do it.

The result? Europe's doom loop between banking losses, stagnation, unpayable public and private debt and an investment strike lasting quarter of a century thus leading, now, to Europe's and, in particular, Germany's de-industrialisation. Quarter of a century later, in addition to its deepening North-South divide, Europe now suffers an incurable East-West divide while:

- the essential fiscal and political union is further away from the horizon than ever
- the EU's Green Deal is honoured in the breach, not in the implementation
- Europe's industries are falling rapidly behind their competitors in the United States and China in every technological race that matters, in green tech and green energy in particular
- our continent lacks cloud capital in an age of technofeudalism where power stems from cloud capital, that only the United States and China possess in substantial quantities.

Why is there a New Cold War?

In my introduction, I said that Europe and Australia are facing irrelevance and marginalisation. Two are the reasons: One, neither Europe nor Australia possess significant cloud capital – it is a little like trying to make our way during the 19th century without steam engines. The second reason is the New Cold War, which is upending our business models, Europe's and Australia's.

Speaking of the New Cold War, almost a year ago Paul Keating, in this prestigious forum, famously lambasted the Albanese government for making the wrong call in allowing Australia to become complicit in Washington's pursuit of the New Cold War against its own interests. The one question Mr Keating did not ask, however, was: Why is Washington doing this? Why did President Trump kickstart it with a ban on Huawei and ZTE? And why did

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President Biden turbocharge it with the microchip ban which was meant explicitly as a declaration of economic war on Beijing?

When I ask this question, I get two answers. One is Taiwan. The other is China's escalating military threat to international trade routes in the South China Sea. Neither will do. Ever since Nixon went to China, and during the long period Washington was pushing Australia to induct China into the WTO and the globalised capitalist world order, the One China policy and Beijing's determination to maintain sovereignty over Taiwan were, rightly or wrongly, unchallenged givens. As for China's military threat, on this I am with Malcolm Fraser who opined that nothing short of Chinese navy surveillance ships anchored outside America's navy bases at San Diego or Norfolk, Virginia can count as provocation. And, please, can someone, anyone, explain why on earth a country so reliant on a trade surplus and imported energy would ever wish to threaten international trade routes? No, the New Cold War is neither due to Taiwan nor to China's military build-up. The answer lies in cloud capital.

America's hegemony, built on its trade deficit, relies entirely on its capacity to extract rents from the rest of the world courtesy of its monopoly of international payments. But Chinese cloud capital has already achieved something that the dollar system cannot achieve: a seamless integration of cloud capital with a free digital payments system – for example, WeChat, the private App belonging to Tencent, and the public digital currency already offered by China's Central Bank.

Why is there no American equivalent seamlessly blending Big Tech and Big Finance? Because Wall Street refuses to share their financial rents with either US cloudalists or with the Fed. And there is the rub: America maintains its dominance over international payments travelling along a rickety dollar highway, one full of potholes but still the highway of choice for global capitalists. Meanwhile, Chinese cloud capital has built an all-singing-all-dancing payments superhighway, denominated in yuan, that few used. But, this superhighway's very existence is a clear and present danger to the US monopoly of the dollar payment system on which America's hegemony rests. Especially after the Ukraine war created jitters amongst oligarchs around the world.

In short, the New Cold War has nothing to do with trade routes, Taiwan, or Chinese escalation in the Pacific. It is, rather, the manifestation of a dangerous clash between two technofeudal systems – one denominated in dollars, the other in yuan.

What should Australia do domestically?

So, the question becomes: What should Australia do in this topsy-turvy, increasingly technofeudal world? At the domestic front,

First, ditch the old rentier business model of banking on holes and homes. That's now a Ponzi scheme whose maintenance will result in a country marred by minimal investment, low productivity, debilitating inequality, high inflation and low wages pushing its talented people into a low innovation sinkhole.

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Instead, adopt a Green New Deal for Australia as a necessity, rather than a luxury. Europe is about to impose a border-adjustment carbon tax. America will surely follow. Australia must end its dependence on fossil fuels and unrefined minerals and let rip with solar and wind power that produces green hydrogen, not for export but, for powering new factories that will produce, domestically, green copper, green nickel, green cobalt and green steel for export to South East Asia and to China where they will be used to produce the electric cars and the cloud capital that Europe will then purchase tariff-free. To achieve this, this country needs a massive public investment project, a latter-day version of the 1950s Snowy Scheme.

Second, acknowledge that never before has it been so dismal to be young in Australia.

- Reverse the absurdity of the Australian government collecting more money from HECS than it does from the Petroleum Resource Rent Tax.
- Tax rents properly to make higher education free again.
- End negative gearing and, especially, the inane capital gains exemption on real estate investments.
- Tax those with concentrated power to set prices and rents through the nose and, instead of inefficient tax cuts that just inflame house prices and consumer price inflation, build social housing that benefit not only those who live in them but suppresses private house price inflation.

Third, since Australian capitalists cannot compete with America's and China's cloudalists, it is the role of the Australian government, in the same way it once created the ABC, or the CSIRO, to put at the disposal of Australians important new technologies; to build up public cloud capital – beginning with a digital Australian dollar, essentially a free checking account for every resident using only a tax file number and a pin which would allow for free transactions and pay interest on deposits equal at the Reserve Bank's overnight rate.

What should Australia do internationally?

What about internationally?

First, Australia must restore a reputation tainted by blindly following America into lethal adventures in Iraq, Afghanistan and, today, via its active and crucial complicity in Israel's deliberate war crimes in Gaza, East Jerusalem and the West Bank.

Children are not starving in Gaza today. No, they are being deliberately starved. Without hesitation or remorse. The famine in Gaza is no collateral damage. It is an intentional policy of starving to death thousands until the rest agree to leave their ancestral homeland.

By lending credence to the notion that Israel is exercising the right to self-defence and by de-funding, on the basis of unsubstantiated Israeli accusations, the only agency that can ameliorate the starvation, Australia damaged its already wounded reputation. Reversing this decision is now too-little-too-late for the Australian government to wipe clean its complicity in ethnic cleansing by weaponised, designer-hunger. It will take a great deal more than that.

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Just as there was a bipartisan campaign, led by Malcolm Fraser and Bob Hawke, to end South African apartheid when Washington was supporting it, the Australian political class needs to lead a campaign to end apartheid in Israel-Palestine. This is Australia's duty for another reason: Because of the sorry history of *terra nullius*, the white settlers' ideological cover for the genocide of native populations, which has been transferred from Australia to the land of Palestine under the banner of "A Land Without a People for a People Without A Land".

Second, Australia has a duty to de-escalate the New Cold War. To understand that this can only be done if Australia ends its servility to a United States' actively creating the threats that they then make us pay through the nose to protect us from.

Imagine an Australia that helps bring a just Peace in Ukraine, as opposed to a mindless forever war. A non-aligned Australia that is never neutral in the face of injustice but, also, not automatically aligned with every warmongering adventure decided in Washington.

Imagine an Australia which, having re-established its credentials as a country that thinks and acts for itself, engages with China in the spirit of peaceful cooperation – a far better way of addressing Beijing's increasing authoritarianism toward its own peoples than buying useless, hyper-expensive submarines that only succeed in forcing China's political class to close ranks around a more authoritarian core.

Imagine a truly patriotic Australian Prime Minister who tells the American President to cease and desist from the slow murder of Julian Assange for the crime of journalism – for exposing American war crimes perpetrated behind the back of US citizens in their name.

In the end, American powerbrokers will appreciate such an Australia better – in the same way you appreciate better a friend who tells you when you are wrong compared to a yes-man who never opposes you directly but whinges behind your back.

Conclusion

To conclude, if Europe and Australia are to escape gross irrelevance, we need separate but well-coordinated European and Australian Green New Deals. This will prove pie in the sky in a world buffeted by an uncontrollable New Cold War that threatens the green transition necessary to preserve our viability as a species. To have a future, Europe and Australia must end our mindless slide from strategic dependence on the United States to improvised-impulsive-inexpedient servitude to the United States.

DiEM25, our paneuropean movement, is working toward this goal. In the last fortnight, during this visit, I was thrilled to discover that there are talented people and effective organisations dedicated to the same cause. Optimism is perhaps not yet empirically justified. But hope burns strongly.

Thank you.