

Review - Adults in the Room: My Battle With Europe's Deep Establishment

Written by Alfredo Hernandez Sanchez

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ALFREDO HERNANDEZ SANCHEZ, OCT 16 2018

Adults in the Room: My Battle With Europe's Deep Establishment
By Yanis Varoufakis
London: Random House, 2017

What good is democracy in the face of a sovereign debt crisis? This poignant question has occupied the minds of the world's brightest minds in politics and economics, and Yanis Varoufakis is no exception. Is it legitimate for an indebted country to vote away its debts? Who should bear the costs of past deals gone awry? Since the 2008 global financial crisis, several volumes have been produced to address these issues. However, of that long book, the Greek chapter is best written by a man who, if not quite its protagonist, is surely one of its main characters by virtue of having been – albeit briefly – Greece's minister of finance during one of its tensest moments.

To start, the figures presented in *Adults in the Room* are staggering; the exposure of European banks in the run up to the crisis is calculated at 30 trillion USD, or trice the income of Germany, France, the Netherlands and the UK combined. Similarly, the impact of Greek austerity measures between 2010 and 2012 is calculated at a 15 percent reduction in government spending, nearly four times that of Spain's in the same period.

After an initial bailout in 2010, a second scheme was implemented in 2012. A record-breaking 100 billion EUR haircut followed by a second bailout of 130 billion EUR. Where did this money go? According to Varoufakis, most of it ended up in: a) Greek bank balance sheets, b) private foreign lenders, and c) the IMF and EU institutions, all as compensation for the aforementioned haircut. In the author's words, it was a compensation financed by funds effectively "borrowed by Greek taxpayers from the rest of Europe's taxpayers" (p. 57). Little if any of the funds ended up in the Greek state's coffers. Furthermore, what did end up in Greek bank balance sheets – 50 billion EUR for the Hellenic Financial Stability Board — was left outside of the purview of any public oversight mechanism.

Rather than a lesson on the economics of bailouts and austerity, the memoir reads more like a treatise on the politics of sovereign debt restructuring during bad times. Though economic ideas and principles are presented in a compelling and refreshingly digestible manner, Varoufakis innovates most on the front of political analysis, ever-so absent in the accounts of former ministers of finance. Not only does he consistently point out the gradual erosion of democratic control over the helm of the Greek economy, but he also advances a political thesis that goes beyond the usual narratives of conspiracies or the moralistic tropes that plague narratives of sovereign debt crises.

Instead, Varoufakis suggests that the framework of complexity theory and the analogy of Greek (and Shakespearean) tragedy are better suited to analyze the politics behind the crisis. No side is left uncriticized; from the Greek pre-crisis establishment to Varoufakis' own colleagues, as well as the European and American financial and political heavyweights involved. The chilling corollary of this story is that no one, not even those in power, have full control over such sensitive situations. After all, it is but an emerging property of a complex system on incentives and interests that no one designed and few – according to the author – truly understand. Thus, during times of crisis, neither good faith nor defiance seem to matter much in trying to stop the proverbial ship from sinking.

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For all its complexity in political narration, the book points out two categories of people: insiders and outsiders. Insiders are those with privileged knowledge and access, and those who are therefore listened to by the ones in power. The price of admission is that they do not criticize other insiders. Outsiders constitute the rest, the disenfranchised. They are free to speak their 'version of the truth' at the cost of being set aside and ignored by the insiders.

According to Varoufakis, the Greek establishment – meaning key government officials associated with the previous regime and the country's economic elite – believed that if Athens had demanded a debt restructuring, the country would have been jettisoned from the Eurozone. This belief, founded or not, led them to accept the bailouts from the so-called troika of the European Commission, the ECB and the IMF. Readers interested in a first-hand account of how economic ideas and notions of debt, morality, nationhood and power shape policy will find in this book an invaluable resource.

The writing style is simple, attractive and fun. Varoufakis adorns the book with colorful new terms such as 'bankruptocracy' and 'bailoutistan.' Those interested in the Greek debt tragedy but not in dry economic jargon will love to read about how: "even if God and all the angels were to invade the soul of every Greek tax evader, turning us into a nation of parsimonious Presbyterian Scots, our incomes were too low and our debts too high to reverse the bankruptcy." (p.43) Nevertheless, readers interested in a more academic approach are better off looking at other texts by the author. The fallout of Greece's placement in what Varoufakis calls a 'debtor's prison' may be overblown, but many will find his logic convincing. After this failed attempt to restructure Athens' debt to a sustainable level, leftist movements in Europe lost traction and many voters turned towards anti-EU political options. Just how much this modern Greek tragedy affected the rise of Brexit and Trump is debatable to say the least, but certainly worth discussing.

About the author:

Alfredo Hernandez Sanchez is a PhD student at Central European University, Budapest. His research interests include global governance, the international political economy of financial stability and sovereign debt. He has worked as a lecturer on political economy at the American University of Central Asia, the OSCE Academy in Bishkek and is a member of the Young Scholars Initiative of the Institute for New Economic Thinking.