# Varoufakis’ plan “B”, parallel currencies, and the Euro

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The last round of the Greek crisis has epitomized the European institutions nasty behavior. It has also put on the forefront the issue of the Euro. The European Monetary Union has turned into an instrument of enforcement of austerity and deflation all over the Eurozone. Its nasty consequences are going far over the Eurozone by the way. The crisis ended temporarily with an agreement that was forced upon the Greek government. It will have enduring consequences. But, in the process of this crisis have emerged the possibility of another way. What has been called Yanis Varoufakis "plan B" was an attempt to create a parallel payment system, and possibly a parallel currency. It was not intended to be a short road for Greece to return to the Drachma but it could have been so. But this "plan B" has also another meaning. It exemplified an alternative possible out of the straightjacket the Eurozone is. This is why it has such an impact on the "left".

This paper is then to study the process of this so-called "plan B", and why the idea of a "plan B" emerged, in the light of previous experiment with parallel currencies. In this process we will turn on to a very old debate: is money only a payment system or it is something else? This is quite important to understand the issue of so-called "parallel currencies" and their possible effects. What is at stake here is the precise status of money either as a "central" institution of capitalism or, more accurately, as part of an institution nexus. Then we will go back to the "plan B" idea and will look at reactions it provoked.

## I. Why the idea of a "plan B" emerged in Greece?

The very idea of a "plan B" for Greece was not born in a vacuum. It was generated by the more or less clear understanding by some Syriza leaders, among them Alexis Tsipras and Yanis Varoufakis, of the coming struggle against European institutions[1]. Varoufakis own previous specialization with game theory[2] led him to understand that an alternative had to be built in a credible way if he wanted to achieve success with the initial Greek government proposals. But, in the same time, to build a credible alternative with the then present situation, what is called "plan B", could make possible the switch toward this new situation. Here was lying the critical issue of the Greek government negotiation strategy. There is no doubt about the commitment of both Tsipras and Varoufakis to the European project. Nevertheless to build an alternative, which could bolster the Greek position in the negotiating process, it was necessary to seriously envisage a break with the European project. As weeks went on after the fateful January 2015 elections a divergence emerged between the two men. Tsipras clung to his commitment to Europe (and the Euro) and Varoufakis understood more and more clearly that there would be no possible future for Greece if it stayed in the European Monetary Union. Both men really wanted to "change" the European process. But Tsipras still hold the view that the existing structure was better than nothing.

[1] Sapir J., « Un jeu complexe », note posted on the *RussEurope* blog, February 3rd , 2015, http://russeurope.hypotheses.org/3389

[2] As can be seen from Varoufakis Y., *Rational Conflict*. Oxford, Blackwell, 1991 or with Hargreaves-Heap S. *Game Theory: A critical text*. London and New York, Routledge, 2004

**The economic situation of Greece**

Greece has committed itself to a three-year agreement with the Board of Governors of the European Stability Mechanism (ESM) for stability support in the form of a loan. In accordance with Article 13(3) of the ESM Treaty, it details the conditionality attached to the financial assistance facility covering the period 2015-18. This mean that in return for a loan of the ESM, which will go mostly to pay principles and interest of past debt, Greece had to agree with a new “memorandum”, actually the third one, which would imply more austerity and would let no place for growth[3]. This bail-out agreement has been forced upon the Greek government under the treat of an expulsion from the Euro and very clearly we are back to the notorious notion of “limited sovereignty”, the so-called “Brezhnev’s doctrine” implemented to crush the Prague uprising in August 1968[4]. But it is doubtful if even this will ultimately prevent Greece exit from the Eurozone[5].

The agreement that has been reached at by Greece and its creditors after a lengthy negotiation is actually a bad agreement, and this is former Greece minister of finance Yanis Varoufakis opinion[6]. The 85 billions foreseen in this agreement are, at present, woefully insufficient to cure situation of Greece. It could not have been otherwise. For this text is the logical conclusion of the *diktat* imposed on Greece on July 13th, 2015, by its creditors. And this *diktat* was never conceived with the aim of bringing true support to Greece, even at the price of enormous sacrifices, but solely in order to humiliate and discredit its government. This *diktat* is the fruit of a political vengeance and is plainly devoid of economic rationality.

Doubts have been voiced on this agreement. It has been denounced at length in various columns[7]. It will increase austerity in a country where the economy is in a free fall since the maneuverings of the European Central Bank beginning on June 26th. The shock on the Greece economy has been tremendous. Provisional data on July and August are pointing to a massive negative effect on industrial production. The IMF is already forecasting another round of depression for year 2015, with a fall of GDP of -2,5%, and another one in 2016. And it is clear that such estimates are conservative. The actual truth could be considerably bleaker. In such a context it is clear that increasing the tax levy in an economy in recession is nonsensical. The VAT hike is to destroy what was left of output potential. One should, in the contrary, massively inject liquidities into the economy in order to jump start production.

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[3] Barro J., « The I.M.F. Is Telling Europe the Euro Doesn’t Work », *The New York Times*, July 14th, 2015, http://www.nytimes.com/2015/07/15/upshot/the-imf-is-telling-europe-the-euro-doesnt-work.html?_r=1&abt=0002&abg=0

[4] Weeks J., « A specte is Haunting Europe », July 31st, 2015, https://www.opendemocracy.net/can-europe-make-it/john-weeks/spectre-is-haunting-europe-—-spectre-of-democracy

[5] Komileva L., « Another Bailout Won’t Keep Greece in the Eurozone », in *Foreign Policy*, August 12th, 2015, http://foreignpolicy.com/2015/08/12/another-bailout-wont-keep-grreec-in-the-Eurozone-2&utm_medium=social&utm_source=twitter.com&utm_campaign=buffe

[6] http://www.lepoint.fr/economie/grece-le-plan-d-aide-ne-marchera-pas-affirme-yanis-varoufakis-12-08-2015-1956351_28.php

[7] Evans-Pritchard A., « European ‘alliance of national liberation fronts’ emerges to avenge Greek defeat », *The Telegraph*, 29 July 2015, http://www.telegraph.co.uk/finance/economics/11768134/European-allince-of-national-liberation-fronts-emerges-to-avenge-Greek-defeat.html

Everybody knows this[8], the Greek government as well as its creditors. Yet the latter persevere in their error.
This is raising the issue of how such a disaster could have been avoided, as the final result is not just undermining Greece sustainability but EU viability too, as forecasted by Jörg Bibow[9]. To a large extent the discussion then focuses on the so-called "Varoufakis' secret plan" and the possible introduction of a parallel currency in Greece.

**Re-throning politics?**

Varoufakis actions have to be seen in the context of a move initiated by the January 25th election, which bring Syriza, the Greek "Radical Left" party to power. It was a move to put back politics in command. A lot of people are getting confused by "plan B" technicalities. But the very idea of a "plan B" has never been technical. It was political since its very beginning. However to understand the real nature of the so-called "plan B" it is to be understood where it stands in the ongoing struggle between politics and economics. To do this implied to some extent a move toward re-throning politics.
This expression is coined from a seminal paper written by R. Bellamy about the liberal Hayekian thought and a process of "Dethroning politics"[10]. The lead idea in Bellamy's paper was that a true liberal would want to replace political decisions by a behavior grounded on norms. Bellamy shows also the limits of such a thought, an in particular explains contradictions of the late Hayek's thought. As a matter of fact dethroning politics imply to kiss goodbye to democracy. What is important is the fact that this process of dethroning politics in the context of what was called "liberal democracy" has been quite well described by a far-right author in the early 1930: Carl Schmitt. Carl Schmitt is not someone to be followed on all counts but he has also been one of the most powerful thinkers of its time in Constitutional right[11].
In his book "Legality and Legitimacy", he carefully analyses inherent contradiction of what he call "liberal democracy"[12]. One of his avenues of attack is the complete lack of realism inside the "liberal democracy" thinking[13]. Then he focuses to the fact that a power established only through "legality" or the rule of law would benefit of what he called a "majority presumption" and then would turn into a tyranny because it didn't specify who could discuss the principles of this rule of law[14]. He also discusses at length the pretense to replace political decision by rules, be they legal or technical, which is embedded in the modern – i.e. post industrial revolution – liberal democracy system. Actually the "liberal democracy" with

[8] http://russeurope.hypotheses.org/4148
[9] Bibow J., « Euro Union – Quo Vadis? », July 2nd, 2015, http://www.socialeurope.eu/2015/07/euro-union-quo-vadis/
[10] Bellamy R., "'Dethroning Politics': Liberalism, Constitutionalism and Democracy in the Thought of F. A. Hayek", *British Journal of Political Science*, 24, 1994, pp 419-441
[11] Balakrishnan G., *The Ennemy: An intellectual portait of Carl Schmitt*, Verso, London, 2002; Scheuerman W.E., « Down on Law: The complicated legacy of the authoritarian jurist Carl Schmitt », *Boston Review*, vol. XXVI, n° 2, April-May 2001.
[12] Schmitt C., *Légalité, Légitimité*, Translated from German by W. Gueydan de Roussel, Librairie générale de Droit et Jurisprudence, Paris, 1936; German edition 1932. This book has been translated in English as *Legality and Legitimacy*, translated by Jeiffrey Seitzer, Durham NC, Duke University Press, 2004.
[13] Idem, p. 73-54.
[14] Idem, pp. 78-79.

its reduction of decisions to the very application of norms and its emphasis on the rule of law is the end of the Right and will lead to a special kind of tyranny[15]. One special point is that Schmitt highlights the role of homogeneity in what he call "democracy" but is actually parliamentary democracy: "Democracy therefore, requires, first homogeneity and second – if the need arises – elimination or eradication of heterogeneity"[16]. This point has been thoroughly discussed by Chantal Mouffe[17].
But, it was in the name of pre-established rules and norms that Jean-Claude Juncker, the President of the European commission and one of the main opponents to Syriza government attacked the newly elected Greek government. Even more important, the focus put on homogeneity is a characteristic of neo-classical economics[18].

**Rules or discretion? The path toward a naturalization of economics**

The debate about the possible substitution of rules to the political decision raised by Carl Schmitt is of course extremely relevant now. As a matter of fact the *Eurogroupe*, a non-elected and legally non-existent institution has enforced its rules against the political decision of sovereign Greece. Arguments in the process have been mostly confined to the "technical" sphere and have largely drawn to mainstream economics. This is showing a kind of congruence between what Schmitt call a "parliamentary democracy" and the very spirit of mainstream economics. Actually we can see a huge literature focusing on norms and rules against discretion, beginning with the famed Kydland and Prescott paper[19]. The relevance of norms and rules has become one of the most central points in macroeconomics and particularly in monetary economics[20]. However, it is well known that for rules and norms to become the only way to take a decision would imply a perfect probabilistic world. This is, of course, one of assumptions of mainstream economics and econometrics[21].
This led to a "naturalization" of economics[22]. This is a process describing as "natural" things that are not and which frequently is just a front to advance interests based position in what is thought a "non-contestable" way. This probabilistic turn has been enshrined in

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[15] Schmitt C., *The Crisis of Parliamentary Democracy*, translated by Ellen Kennedy, MIT Press, Cambridge, MA, 1985.
[16] Idem, p.9.
[17] Mouffe C., « Carl Schmitt and the Paradox of Liberal Democracy » in Mouffe C. (eds), *The Callenge of Carl Schmit*, London, Verso, 1999, pp. 38-53.
[18] Sapir J., *Les trous noirs de la science économique*, Paris, Albin Michel, 2000; Sapir J, *K Ekonomitcheskoj teorii neodnorodnyh sistem - opyt issledovanija decentralizovannoj ekonomiki* (Economic Theory of Heterogenous Systems – An Essay on decentralized economies) Higher School of Economics Press, Moscow, 2001
[19] Kydland Finn E. and Edward C. Prescott, "Rules rather than discretion: The inconsistency of optimal plans, *Journal of Political Economy*, 85(3) (June 1977), p. 473-490 http://www.sfu.ca/~kkasa/prescott_77.pdf
[20] Stiglitz, J.E., "The Role of State in Financial Markets", Proceedings of the World Bank Annual Conference on Development Economics 1993, World ban, Washington D.C., 1994, pp. 19-52. Taylor J.B., « Discretion versus Policy Rules in Practice », *Carnegie-Rochester Conference Series on Public Policies*, vol 39, 1993, pp. 195-214, North Holland.
[21] Haavelmo T, « The Probability Approach in Economics », *Econometrica*, 12, 1944, pp.1-118, p.48.
[22] Le Gall P., « Les représentations du monde et les pensées analogiques des économètres : un siècle de modélisation en perspective », *Revue d'histoire des sciences humaines*, 1, N° 6, 2002, p. 39-64

mainstream economics by the famous Robert Lucas' paper of 1976[23]. To a large extent, this has been largely integrated in the current governance of "modern" liberal democracies[24]. This has however been fiercely opposed[25], either in economics where authors have highlighted the various deficiencies of the probabilistic world[26], the problem raised by endogenous money[27], or in politics. A rules only way of governing has been faulted on the basis of applied psychology[28].

As a result, the role of discretion is now more and more emphasized. But discretion is not just to be "legal" or it will run into Schmitt argumentation. Discretion has to be legitimate. Raising the issue of legitimacy bring us back to the sovereignty issue, as described in the XVIth Century by Jean Bodin[29]. Sovereignty can't be *technically* limited even if there are some technical constraints on any government action[30]. One understands that even the most powerful nation would be left without possibility to stop an earthquake or any other natural event. This does not means that consequences of such an event would not be managed by political decision or that the possibility of such a natural catastrophe could not give birth to a *policy* trying to limit possible damages if and when this catastrophe would occur. Then sovereignty is not *technically* limited as the government could decide before and after the natural catastrophe. But the fact that there could be no *technical* limitation of sovereignty goes further. The very impact of a lot of so-called "natural" events is the product of political decision taken long before and of the ability of a given nation to make these decisions. Difference between hurricane impacts in Cuba and neighbor countries was the result of discretion, not rules, in the application of Cuban decision-making[31].

This is why we could find much more into Varoufakis so-called "secret plan" than just a *technical* attempt to circumvent forecasted European Central Bank actions. Varoufakis' plan was actually, even if, himself, he has not understood completely the issue, an attempt to regain Greece sovereignty against the Eurogroupe tyranny. It was then a political fight and not just a technical or an economic issue. The very meaning of the "plan B" was the struggle to regain sovereignty. This was the actual context in which this "plan B" was drafted.

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[23] Lucas R.E., "Econometric Policy Evaluation: a Critique" in K. Bruner et A. Meltzer, ed., *The Phillips Curve and Labor Markets, Carnegie-Rochester Conferences Series in Public Policy*, vol. 1, Amsterdam: North-Holland, 1976, pp. 19-46.

[24] Rose Nikolas, « Governing « advanced » liberal democracies », Andrew BARRY, " Lines of communication and space of rule", Pat O'MALLEY "Risk and responsibility", in A. Barry, N. Rose and al., *Foucault and Political reason. Liberalism, neoliberalism and rationalities of government*, UCL Press, London, 1996, pp. 37-65, 123-42, 189-207.

[25] Van Lear W., « A Review of The Rules versus Discretion Debate in Monetary Theory », *Eastern Economic Journal*, vol. 26, n°1, 2000, pp. 29-39.

[26] Davidson P., *Economics for a Civilized Economy*, Armonk, M.E. Sharpe, 1996.

[27] Davidson P., *Post Keynesian Macroeconomics Theory*, Cheltenham, Edward Elgar, 1994. Wray L.R., *Understanding Modern Money*, Cheltenham, Edward Elgar, 1998.

[28] Kahneman, Daniel, and Amos Tversky, "Judgment under Uncertainty: Heuristics and Biases." *Science* , 1974, pp. 1124-31.

[29] Bodin J., *Les Six Livres de la République*, (1575), Librairie générale française, Paris, Le livre de poche, LP17, n° 4619. Classiques de la philosophie, 1993

[30] Goyard-Fabre S., *Jean Bodin et le Droit de la République*, Paris, PUF, 1989

[31] UN/ISDR, *Cuba: A Model in Hurricane Risk management*, UN/ISDR Press release 2005/05, septembre 2004, New York. www.unisdr.org and OXFAM "Weathering the storm, lessons in risk reduction from Cuba". : http://www.oxfamamerica.org/publications/art7111.html.

**Varoufakis' secret plan**

One possible way to avoid this result could have reposed on the famous Varoufakis' Plan B, a plan subject to a lot of debate since last July. This plan would have involved the creation of a dual monetary circulation system, with the creation of a parallel currency. The intent was in no way to explicitly exit form the Euro (or more precisely form the European Monetary Union). It is to be reminded that Yanis Varoufakis – and this is making a big difference with other radical economists like Costas Lapavitsas[32] – is a staunch defender of the Euro. However such an exit could have been contemplated at any time. But the "plan B" was quite sophisticated and would have induced some important changes in the situation. At that point, it is interesting to have a look on what Varoufakis explains and what said when discussing with OMFIF people about this plan[33]: "*What we planned to do was the following. There is the website of the tax office, like there is in Britain and everywhere else, where citizens – taxpayers who go to the website – they use their tax file number and they transfer to web banking moneys from the bank account to their tax file number so as to make payments on VAT, on income tax and so on and so forth. We were planning to create, surreptitiously, reserve accounts attached to every tax file number without telling anyone, just to have this system functioning under wraps. At the touch of button that would allow us to give pin numbers to tax file number-holders (tax payers). So take for instance a case where the state owed a million [euros] to some pharmaceutical company for drugs purchased on behalf of the National Health Service, we could immediately create a transfer into that reserve account of the tax file number of the pharmaceutical company, and provide them with a pin number. They could use this as a kind of parallel payment mechanism which to transfer whichever part of those digital moneys they wanted to any tax file number to whom they owed money. Or indeed to use it in order to make tax payments for the state*[34] ».

It is obvious that, in Yanis Varoufakis' mind, the system (called "Plan B") was intended to alleviate the European Central Bank pressure upon Greece and specifically to solve the liquidity crisis engineered by the ECB through its imposed "capitals control". This plan he drafted with Alexis Tsipras as early December 2014, that is *before* Syriza success in January 25th elections, was thought mostly as a *technical* response to a possible ECB action. Political implications seem to have been largely tacit. But actually it was more than that. The main failure of both Tsipras and Varoufakis was to have not understood that. Austerity was much more than a misguided policy. Austerity was the result of a system of governance largely based on the Euro[35]. When these both men began to plan a fight against austerity, they would have understood that such a fight would put them on a collision course with the Euro.

About the possibility that the plan could lead to a Greece exit from the Euro Varoufakis then add: "*That would have created a parallel banking system while the bank were shut as a result of ECB aggressive action to give us some breathing space*"[36]. Note then that it was not technically a parallel currency but only a parallel banking system. However, in the next paragraph, Varoufakis admits: "*And of course this could be euro-denominated, but at the drop of a hat it could be converted to a new drachma*".

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[32] Lapavitsas C., (eds) *Crisis in the Eurozone*, London, Verso, 2012; see also Lapavitsas C and Heiner Flassbeck, *Against the Troika – Crisis and Austerity in the Eurozone*, London, Verso, 2015

[33] Telephone conversation of July 16th, 2015, between Yanis Varoufakis and OMFIF senior adviser

[34] Transcript of the phone conversation, page 3, §1.

[35] Fusaro D., *Il Futuro e Nostro*, Milano, Bompiani, 2014.

[36] OMFIF Transcript of Varoufakis phone conversation, page 3, §1..

It is very clearly stated then that the development of a parallel payment system was not intended as a step to move out from the EMU but could actually have become one at short notice. But to be ready to do so the Greek government, and particularly Alexis Tsipras, would have figured out what was at stake from the beginning, but for Greece and for the Eurozone. That they have not is now history. However, this raise of course the whole issue of parallel currencies and the possible option of a “Grexit”.

## II. What is at stake with parallel currencies?

The Varoufakis’ idea is first to be seen in the frame of the old and long debate on money. Is money just a “payment system” or it is more than that? Mainstream economists have largely explained money as an improvement on barter, mostly for transaction costs reasons[37]. This had been expanded into the development of “credit money” and the banking system expansion[38]. This quite obviously misses the fact that with the development of “credit money”, and the emergence of capitalism, money changed of nature[39]. The distinction between what was traditionally called “money” and financial assets became blurred[40]. This does not mean that money is not a transaction system, but this points that the link between production and money has subtly changed in centuries with the slow substitution of species by bank notes and the development of credit. As a matter of fact debts have taken a central place in present economies. Then if a parallel currency is to succeed it has to face the challenge of taking place into the process of debt emission. If a “currency” is limited to current transactions it is not a full-fledged currency. But, to pass the debt issuing test a “currency” is to be backed by specific institutions without which it could not function normally. This is showing that money is not THE central institution of a capitalist economy[41] but part of a nexus of institutions[42]. An important part is trust-generating institutions, without which no currency could actually exists.

**Parallel currencies**

The very notion of possible parallel currencies has been raised as a tool to solve the issue of Greece remaining in the Eurozone *and* of managing a possible break with the Eurozone[43]. But parallel currencies have a long history in economics. In historical times bullions emitted by different countries have freely circulated in a given one. The issue came up as a specific one when paper money was introduced[44]. Experiments with parallel currencies were not a plenty in the XXth century but are still noteworthy to examine. An important point here is

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[37] Samuelson P., *Economics*, 9th Edition, New York, MacGraw Hill, 1973.

[38] Schweikart L., « US Banking System : a Historiographical Survey » in *Business History Review*, n° 65, Autumn 1991.

[39] Wray R.L., *Money and Credit in Capitalist Economies : The Endogeneous Money Approach*, Aldershot, Edward Elgar, 1990.

[40] Gurley J. and E.S. Shaw, *Money in a thory of Finance*, Washington DC, Brookings Institution, 1960.

[41] Thesis advocated by Aglietta M. and Orléan A. *La violence de la monnaie*, PUF, Paris, 1982. and Orléan A., Le Pouvoir de la finance , Odile Jacob, 1999.

[42] Sapir J., *Quelle économie pour le XXIè siècle?*, Odile Jacob, Paris, 2005, chapter 3 and 4.

[43] Cohen-Setton J., « The economics of parallel currencies », June 8th, 2015, http://bruegel.org/2015/06/the-economics-of-parallel-currencies/

[44] Ögren, A. “Free or central banking? Liquidity and financial deepening in Sweden, 1834–1913.” *Explorations in Economic History*, vol. 43, 2006, pp. 64-93

the fact that from a theoretical point of view it would be important to strictly separate attempt of creating parallel payment systems and genuine attempt to create parallel currencies. But, actually, both are becoming quickly blurred.

One well known and quite publicized experiment in the creation of parallel currency was the so-called "Dated Stamp Script", which circulated concurrently with Canadian dollars, in the Canadian province of Alberta in 1936-1937[45]. This attempt ended up in a failure and most of the paper refused to stay in circulation. But, it is interesting to look at because economic problems in Alberta were mirroring in some ways what is happening in Greece. Alberta has been beset by seven years of distress associated with low farm prices and bad crop yields in the wake of 1929 crisis. Unemployment was pretty high by 1935. The new government elected at Provincial elections was not ready to implement a truly radical reform. It decided then to implement a system of "stamp" to pay for public works done by unemployed people, with e redemption delay of two-years. But, by the end of 1936, it offered the possibility for Albertans to redeem their certificates for Canadian dollars, and most of people chosen to do so[46]. This proofs that confidence in this parallel payment system was quite low. The main reason was that most banks refused to take any part in this system. Irving Fisher has forecasted this development in a book he wrote in 1933 about the stamp scrip system[47]. Actually, we were facing a *special kind* of the Gresham law[48]. It was no more a case of the "bad money" ousting the good one. Coe himself went so far to write: "*Bad money obviously does not drive out good money when the government is willing to redeem the bad money in good money*.[49]"

This point is important. As "stamps" were actually guaranteed by the provincial government, economic agents had no doubts they could switch back to Canadian dollar quickly and without cost. There was then no difference in using Canadian dollars or "stamps" as provisional savings.

Another experiment with parallel currency has taken place in Soviet Russia when the government introduced the Tchervonetz. The monetary reform that took place at the beginning of the NEP[50] is a very interesting one[51]. In 1922 the Soviet government introduced a parallel currency, named "Tchervonetz", which was not (at first) legal tender but could bee freely traded against the Ruble then the SovZnak. The introduction of the Tchervonetz parallel to the "SovZnak"[52] was an attempt to cure the huge hyperinflation crisis at the end of the Civil War. It worked, but progressively the "SovZnak" disappeared and the Tchervonetz was called just the Ruble[53].

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[45] Coe V-F, "Dated Stamp Scrip in Alberta", *Canadian Journal of Economics and Political Science/Revue canadienne de economiques et science politique*, 4, 1938 pp 60-91.

[46] http://jpkoning.blogspot.fr/2015/05/alberta-prosperity-certificates-and.html

[47] Fisher, I., *Stamp Scrip,* New York, Adelphi Company, 1933

[48] Bernholz, P. and Gersbach, H., "Gresham's Law: Theory." *The New Palgrave Dictionary of Money and Finance*, vol. 2. Macmillan, London and Basingstoke 1992, pp. 286-288

[49] Coe V-F, "Dated Stamp Scrip in Alberta", op.cit., p. 88.

[50] Fitzpatick S, A. Rabinowitch and R. Stites (eds.), *Russia in the Era of NEP*, Indiana University Press, Bloomington, 1991

[51] Goland, *Diskussii ob economicheskoi politike v gody denezhnoi reformy* 1921–1924, Moscow, Magistr,
2006 ; See also Goland, Currency Regulations in the NEP period, Europe-Asia studies , vol. 46, no. 8, 1994, p. 1272.

[52] As was called the Ruble after the coming to power of Bolsheviki.

[53] Voznesensky, N.A., "O sovetskih den'gah", in *Bol'chevik*, n°2, 1935

The idea of parallel currency refloated at different times since World War II but essentially as a possible solution either to hyperinflation or to dollarization in emerging economies[54]. The reasons behind the development of parallel currency markets ranges from the sudden influx of worker remittances[55] to the development of drug trafficking[56]. Such a development is frequently blurring the difference between le legal and illegal, and leading to a huge fragmentation of capital circulation[57]. By the way, all known examples are stressing that the development of parallel currency markets is a highly unstable situation.

**The Russian demonetization episode of 1993-1998 and its lessons for Greece**

Before the 1998 crash, the Russian economic situation was marked by a number of important features indicating a trend toward a kind of return to a barter economy[58]. This gave birth to a lot of heated debates. The important point was first the reasons for the development the demonetarization process from 1993 to 1998[59]. This process resulted from the development not just of barter but also of “parallel currencies”. An important point was also their impact on the Russian economy. Actually they made it especially vulnerable to collapse. This demonetization was both a process of creating an alternate payment system[60] and, in some case, a genuine attempt to create parallel currencies leading to a genuine fragmentation of the Russian monetary space[61]. It is to be noted that this process was also the result of a non-functional budget and fiscal federalism in Russia[62].

First, a large proportion of economic transactions were conducted through barter---by most estimates, at least 50% by May 1998[63]. But a significant part too was conducted in Veksels, which were theoretically a credit instrument between two agents without the possibility of transforming the instrument in money. This can be seen from the following table data of which were compiled by a Russian scholar. What is particularly impressive in the following table is the growth of barter trade at a time when inflation (end of course inflationist expectations) decreased a lot.

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[54] Agenor P-R, « Parallel currency markets in developing countries », *Essay in International Finance* , Princeton University, n°188, December 1992.

[55] Banuri T., « Black Markets, Openness and Central Bank Autonomy », World Institute for Development Economies Research (WIDER), Working Paper n°62, Helsinki, 1989.

[56] Thomas C.Y., « Foreign Currency Black Markets : Lessons from Guyana », University of West Indies, Kingston, Jamaica, 1989.

[57] Lindauer D.L., “Parallel, Fragmented or Black ? Defining Market Structure in Developing Economies », in *World Development*, n°17, December 1989, pp. 1871-1880.

[58] Woodruff D., (1999) *Money Unmade: Barter and the fate of Russian Capitalism*, Cornell University Press, Cornell.

[59] Dufy C, *Le troc dans le marché. Pour une sociologie des échanges dans la Russie post-soviétique*, Paris, l’Harmattan, 2008.

[60] Comander S., et C. Mumssen, (1998) "Understanding Barter in Russia", EBRD/BERD, *working Paper*, Londres

[61] Sapir J., (1996) "Désintégration économique, transition et politiques publiques" in R. Delorme (1996), *A l'Est du nouveau. Changement institutionnel et transformations économiques* , L'Harmattan, Paris, octobre 1996, pp. 303-335.

[62] Sapir J., "Différenciation régionale et fédéralisme budgétaire en Russie" in *Critique Internationale* n°11, avril 2001, pp. 161-178

[63] Rozanova M., (1998), "Al’ternativnye formy finansovyh rascetov mezhdu predprijatijami", in *Problemy Prognozirovanija*, n° 6, pp. 96-103

**Table I**
**Share of barter trade and Veksel use in inter-enterprise trade in Russia from 1993 to 1997 in %**

| | Barter share in 1993 | Barter share in 1997 | Share of trade using Veksels 1997 |
|---|---|---|---|
| Chemicals | 21 | 52 | 14 |
| Metal working | 14 | 46 | 8 / 5 |
| Mechanical constructions | 12 | 41 | 10 |
| Wood and paper | 12 | 46 | 8 |
| Construction materials | 11 | 59 | 13 |
| Fuel | 10 | 33 | 26 |
| Textile and clothes | 8 | 42 | 9 |
| Food processing | 6 | 25 | 5 |
| Power generation | 4 | 46 | n.d. |

Source : Rozanova M., (1998), "Al'ternativnye formy finansovyh rascetov mezhdu predprijatijami", in *Problemy Prognozirovanija*, n° 6, pp. 96-103, p. 98.
In the Veksel column for 1997, the first figures in the metalworking line is for iron and ferrous metal and the second figure is for non-ferrous metals.

As a matter of fact, if we add up barter and Veksels, between 60% and 70% of the inter-enterprise trade was done out of the ruble[64]. It has to be added that enterprises were not alone to issue Veksels. Some regional administrations did so to pay regional civil servant. And, these "regional" Veksels could be transformed into rubles. In the end, perhaps as much as 25% of transactions was conducted in Veksels, some of which have been emitted by regional authorities and were no more than proxy currencies or even regional currencies-in-the-making. Then, the border between what could be an alternative payment system and a genuine parallel currency became blurred. Actually, using official income and saving data we could see that the use of the ruble was steadfastly decreasing in some regions. The dual use of barter and Veksels led to a creeping demonetization of a part of Russia.
It is also important to note that demonetization increased simultaneously with the decrease in the inflation rate. Thus, barter was not a reaction to fears of a loss of value of the national currency. Rather, it was generated by fears of defection in transactional relations[65], induced by a shortage of liquidities that favored the actor who held money in any transaction. This has important and significant implications if we look at Greece today. Quite obviously the Greek economy is facing, and has faced since the end of June, an important shortage of liquidity. It is to be seen to what extent this would lead to the spontaneous creation of parallel payment systems like in Russia in 1993-1998. But it is also to be seen to what extent these systems, if created, are to lead to a massive tax-evasion and to induce a process of economic and then political fragmentation like the one which took place in Russia before the 1998 crash. Thus, the macroeconomic policy geared toward fighting inflation has largely destroyed money as an institution in Russia.

[64] Comander S., et C. Mumssen, (1998) "Understanding Barter in Russia", op.cit.
[65] Marin D., (2000), "Trust Vs. Illusion: what is driving demonetization in Russia?", *Discussion paper Series*, n°2570, CEPR, London, September.

The rapid decrease of barter after the 1998 crash is also noteworthy. Barter trade went down to 26% in September 2000 and the use of Veksels also retreated. This was to a very large extent the product of two major changes. First, following the process of State rebuilding initiated by the then Prime minister Mr. Evguenny Primakov transactions were more and more effectively enforced and confidence between economic agents progressively returned[66]. Second, liquidity was increasing in Russia, partly because the Central Bank policy had been less stupidly rigid it was before the crash and partly because the economic rebound Russia witnessed after the crash implied more profits and enterprises financial situation improvement[67].

There are important lessons from these events in Russia for Greece. The first one is then the value of the link between liquidity flows and institutional stability and the stability of monetary relations. A second important lesson is that "austerity" policies when implemented without a view on the actual situation, when leading to a critical shortage of liquidity, could well generate the opposite of what they are aimed at[68]. The main raison here is that illiquidity could provoke as much damage than insolvency and that solvency is not a guarantee that you will be liquid. Increase in barter transaction in Greece is just a proof that illiquidity could provoke demonetarization and that without institutional stability monetary transactions could become more and more difficult[69].

**The case of Greece**

The idea of parallel currencies was refloated in the context of the sovereign debt crisis in the Eurozone[70]. Two issues were actually mixed. The first one was how to avoid engaging into painful and not very effective internal devaluation. This is why parallel currencies were mostly proposed to "Southern" Eurozone countries[71]. But a second issue came to front then: could the Euro be transformed into a kind of supplementary currency, to be used only with non-Eurozone countries? Then every country would recover its own currency for internal trade and inter-Zone trade, and would use the Euro only for trading (in goods and financial operation) with non-Eurozone countries.

Actually the first issue has concentrated most of attention. A great number of the authors who are considering parallel currency proposal are actually focusing on a mechanism that will facilitate economic recovery in the crisis-struck countries. Introduction of parallel

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[66] Durkheim E., (1991/1893) *De la division du travail social*, PUF, coll "Quadrige", Paris.

[67] Sapir J., "The Russian Economy: From Rebound to Rebuilding", in *Post-Soviet Affairs*, vol. 17, n°1, (janvier-mars 2001), pp. 1-22

[68] Sapir J., "Troc, inflation et monnaie en Russie : tentative d'élucidation d'un paradoxe" in S. Brama, M. Mesnard et Y. Zlotowski (edits.) *La Transition Monétaire en Russie - Avatars de la monnaie, crise de la finance (1990-2000)*, L'Harmattan, Paris, 2002, pp. 49-83.

[69] http://www.independent.co.uk/news/business/news/greece-debt-crisis-news-barter-is-booming-in-rural-areas-as-cash-dries-up-10427713.html and http://www.nytimes.com/2015/09/22/business/international/trading-meat-for-tires-as-bartering-economy-grows-in-greece.html

[70] Andresen, T (2012) "What if the Greeks, Portuguese, Irish, Baltics, Spaniards, and Italians did this: high-tech parallel monetary systems for the underdogs?" In: *real-world economics review*, issue no. 59, March 12th, 2012, pp 105-112. Download: http://www.paecon.net/PAEReview/issue59/Andresen59.pdf

[71] Butler, M (2011) Parallel currencies could boost euro. Comment in *Financial Times*, 10 Jan 2011. Accessible at: http://www.ft.com/intl/cms/s/0/fdafbb0e-1cee-11e0-8c86-00144feab49a.html

currencies are seen as able to boost domestic economic activity and to reduce the dependence on imports. It is then expected that, in return, parallel currencies will increase the export performance and competitiveness of these countries[72]. Some authors are also seeing the introduction of parallel currencies as a mean to allow the affected states to reduce the interest rate levels for loans and investments and to systematically increase the amount of money in circulation, both for state debts and in the private sector[73]. Around one third see the parallel currency as a way of setting free non-used capacities[74]. One important opinion is that in view of the extremely differing economic situations in the European member states, parallel currencies might be a tool for economic self-help and a means of boosting economic recovery[75]. But, this implicitly means that for a large number of economists there is no hope for economic recovery under the current Euro system.

Still, the parallel currency idea raises the issue of how and by whom it is to be introduced. One possibility is of course that the parallel currency is being brought into circulation via the usual channels of the two-tier banking system. But this implies that the banking system would either agree with such an idea or could be coerced to implement it. The other possibility being that the State itself would play banker role and act as the issuer. In the great majority of plans we are seeing a process to bring the parallel currency into circulation on the basis of loans. This was the case for Varoufakis' Plan B and these loans would have been, at least at first, Euro denominated.

It is to be understood that would the State be the issuer, as in proposed IOU in Greece. However the issue of what role is to play the banking system would still be pending. Actually in Varoufakis' Plan B, the State would have played the main role because the Greek banking system was disabled by ECB actions. The logical solution would have been to make a "requisition" order (under the frame of a state of urgency) to assure control of the Greece Central Bank and most commercial banks. However, it was clear from the outset that such a move was the equivalent of a declaration of war against the ECB.

The whole IOU system was then envisioned without any constraints either on commercial banks or on the Central Bank. But, such a system is clearly just a stopgap. Its main role is to allow economic agents to work for some weeks, but it would be not quite a sustainable system. As noted above Varoufakis himself was admitting that the result could have been a fast Greek exit from the Eurozone. The main reason is that would a parallel currency system be implemented it would have implied some form of state control upon the Greek banking system. But, this control could not have been implemented without shortcutting the ECB (and this was part of the plan) and depriving it of its power on the Greek banking system. Then the ECB would have, quite probably, reacted by calling Euro circulating in Greece "false money" and cut all transactions (Target-2 accounts) with Greece. The only possible then solution would have to be renaming the currency "drachma" to circumvent ECB action.

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[72] Vaubel, R (2011) Plan B für Griechenland. Working paper, 19 Oct 2011. Download: http://vaubel.unimannheim.de/publications/plan_b_fuer_griechenland_19_10_11.pdf

[73] Goodhart, C and Tsomocos, D (2010) "The Californian Solution for the Club Med", In: *Financial Times*, January 24th,
2010. Accessible at: http://www.ft.com/cms/s/0/2074e990-0952-11df-ba88-00144feabdc0.htm

[74] Schuster L., *Parallel Currencies for the Eurozone*, The Veblen Institute, http://www.veblen-institute.org/IMG/pdf/schuster_parallel_currencies_for_the_eurozone_final.pdf

[75] Butler, M (2011) Parallel currencies could boost euro. Comment in *Financial Times*, 10 Jan 2011. Accessible at: http://www.ft.com/intl/cms/s/0/fdafbb0e-1cee-11e0-8c86-00144feab49a.html

For all its alleged interests a parallel currency system is both highly dependent of the banking system and highly unstable, but if it backed by a strong government will to make the "second currency" the first in a given time. This is one lesson we could draw from Alberta. May be the parallel currency could have been implemented in Greece with ECB approval but certainly not *against its will*. Then, the only advantage of the parallel currency for a country like Greece would have been to allow for an exit from the EMU in quite an orderly way. But this was a point were opinions clashed inside the Syriza government and even Varoufakis was not, at least till end June 2015, ready to face this reality. One of closest Varoufakis collaborators admits to have changed his mind about the so-called "Grexit" and now to favor[76]. There is then some truth in the fact that designing an alternative payment system in a country facing huge financial difficulties like Greece could give birth to a change of currency.

## III. Plan B consequences and after

The "plan B" designed by Yanis Varoufakis is now history for Greece. But like the famous cat in fairy tales it has still many lives to live. It is clear that the so-called « agreement » turn out to be inadequate and unable to treat the problem at the root, but one is beginning to realize that it will not bring any respite[77]. The financial situation is just as tragic, because when production plummets, so do tax receipts, as well as the solvency of borrowers. The percentage of "non-performing" loans has sharply increased since last June 26th. The financing needs of Greek banks have gone from 7 to 10 billion euros at the end of June to 25-28 billions on July 15 and could reach 35 billion by the middle of next week. In fact, pressures exerted by the European Central Bank had deliberately destroyed the Greek banking system. And these pressures were serving essentially political aims. The sums which will need to be granted to Greece simply to prevent the country from sinking into total chaos, should it stay in the Eurozone, amount no longer to 82-96 billion euros as estimated on July 13th, but more probably in the order of 120 billion euros. The Greek debt is at present no longer « sustainable » and the so-called agreement of July 13th did nothing to make it so[78].

Its disclosure raised a huge debate not just in Greece but in Europe as well. In Greece, but also from Brussels, the former Minister of finance has been attacked from the right side of the political spectrum. One suspects that his attitude during the negotiations from end of January to the end of June 2015 was largely the main reason for these attacks. There is however another dimensions here. The so-called "plan B" has became the rallying point for many opponents to the statu-quo in the Eurozone. Because the Greek crisis showed the true nature of so-called "united Europe"[79] and clearly demonstrated that German policy was striving at no less than complete preeminence, Varoufakis' plan "B" has turned into something quite different to what its father envisioned at first. The idea of "parallel

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[76] Daniel Munevar, http://www.socialeurope.eu/2015/07/why-ive-changed-my-mind-about-grexit/

[77] Galbraith J., « Greece, Europe, and the United States », *Harper's Magazine*, 16 July 2015, http://harpers.org/blog/2015/07/greece-europe-and-the-united-states/

[78] Barro J., « The I.M.F. Is Telling Europe the Euro Doesn't Work », *The New York Times*, July 14th, 2015.

[79] Milne S., « The crucifixion of Greece is killing the European project », *The Guardian*, 16 juillet 2015, http://www.theguardian.com/commentisfree/2015/jul/16/crucifixion-of-greece-european-project-debt-colony-breakup-eurozone

currencies" has gained a new strength in the Eurozone and this is to be understood to as a legacy of the June and July crisis.

**The ongoing debate on Varoufakis' plan "B"**

As the story goes, a parallel currency system was never implemented in Greece. But this was mainly for political reasons and not for economic or technical ones. In a more profound way Alexis Tsipras' capitulation on July 13th has provoked a deep change in mood and mind about both the Euro and the EU. The idea of a "left exit" or "Lexit" is now open on the table[80].

Yanis Varoufakis, as Minister of Finances, took the decision with the approval of the Prime Minister, Mr. Alexis Tsipras, to have the computer system of the Greek tax administration covertly penetrated. He took this decision about the computer system of the Greek tax administration *because the latter was in reality under the control of persons of the « Troika »*, that is, of the International Monetary Fund, of the European Central Bank and of the European Commission. This was reported to be the famous« plan B »[81]. And this is what he is being reproached for. It is therefore the conservative Prime Minister, M. Samaras, who was beaten in the elections of January 25th, who in reality has committed this act of *High Treason* in entrusting the tax administration to one (or several) foreign powers. It is he, and he alone, who carry the total responsibility for what happened then.

Varoufakis' decision aimed at implementing a parallel payment system, which would have allowed the Greek government to circumvent the blocking of the banks, which was organized by the European Central Bank starting at the end of June 2015. This would have been necessary in order to avoid the destruction of the Greek banking system provoked by the action of the European Central Bank. This actually illegal action of the ECB imperiled the whole banking system, when one of its very missions, *duly inscribed in the charter of the ECB*, was precisely to ensure the good and regular functioning of this banking system.

If Yanis Varoufakis were to be indicted in the future, it would then be logical and just for the President of the ECB, M. Draghi, as well as the President of the Eurogroupe, M. Dijsselbloem, to be indicted too. It is true, as we demonstrated, that this parallel payment system could *also* have allowed a very rapid shifting from the Euro to the Drachma, and would probably have triggered such a shift, but Varoufakis, according to his statements reported by *The Telegraph*, considered this only as a very last extremity[82].

Actually what Greek crisis demonstrated was the unwillingness but also the impossibility to act under the framework of previously established rules. That was true for the ECB and that was true for the Eurogroupe but that was true also for the Greek government. But it is to be noted that in this crisis it was the Greek government that bowed to these rules when they were cynically discarded or forgotten by most of its opponents.

**An absurd decision**

Indicting M. Varoufakis is therefore absurd. The fact that he is now being defended by personalities such as Mohamed El-Erian, the chief economist of Allianz and President of a

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[80] Jones O., « The left must put Britain's EU withdrawal on the agenda" in *The Guardian*, July 14th, 2015, http://www.theguardian.com/commentisfree/2015/jul/14/left-reject-eu-greece-eurosceptic

[81] http://russeurope.hypotheses.org/4148

[82] http://www.telegraph.co.uk/finance/economics/11764018/Varoufakis-reveals-cloak-and-dagger-Plan-B-for-Greece-awaits-treason-charges.html

comity of economic experts around the President of the United States[83] indeed goes to show that what he did, he did *for the greater good of the State which he was serving as Minister of Finances.* This indictment, should it be confirmed, could only happen with the complicity of Alexis Tsipras who would then have dropped his Minister of Finances and would not be taking on his own responsibilities. This indictment, were it to happen, would be an odious act, an act of pure political justice and of vengeance on the part of the European authorities, against a man who dared, with the support of his people, to defy them.
Whatever the difference we could have with Mr. Varoufakis, and definitely I don't share his affection for the Euro as it has very deleterious effect on many Eurozone economies[84], whatever the judgment we could form about his own reluctance to implement this alternative course of action, there is nothing in what he has done that could be considered as *High Treason*. All economists have to stand up and be counted in support of Yanis Varoufakis. Such an indictment would also be very revealing of the *neo-colonialist* attitude of the European authorities today towards Greece, as well as towards other countries.
But what happened in Greece has also other implications.
Stefano Fassina, former Vice-Minister of Finances of the Italian government, an MP and one of the prominent members of the Italian *Democratic Party* presently in power, wrote in a text published on the blog of Yanis Varoufakis[85]: « *Alexis Tsipras, Syriza and the Greek people have the undeniable historical merit of having ripped away the veil of Europeanist rhetoric and technical objectivity aimed at covering up the dynamics in the Eurozone* ». He adds: « *We need to admit that in the neo-liberal cage of the euro, the left loses its historical function and is dead as a force committed to the dignity and political relevance of labor and to social citizenship as a vehicle of effective democracy.*» He concludes: « *For a managed dis-integration of the single currency, we must build a broad alliance of national liberation fronts* ». These are strong words.
But, this perspective is at present entirely justified. The Eurozone has indeed revealed itself to be a war machine at the service of an ideology, neo-liberalism, and vested interests, those of finance and of an oligarchy without borders. The perspective offered by Stefano Fassina is the only one at present open to us, meaning, constituting an *"alliance of national liberation fronts"* of the countries of the Eurozone to bring the tyrant to bend and to dismantle the Eurozone. It is to be understood then that regaining sovereignty could be defined as a top priority. Without sovereignty there is no possible democratic change. And this is why the struggle for sovereignty could include broad alliances with forces not just on the left but also on the democratic right.

**The German responsibility**

[83] http://www.project-syndicate.org/commentary/varoufakis-agenda-defended-by-mohamed-a–el-erian-2015-07
[84] Bibow, J., "Global Imbalances, Bretton Woods II, and Euroland's Role in All This." in J. Bibow et A. Terzi (edits.), *Euroland and the World Economy—Global Player or Global Drag?* Londres, Palgrave, 2007.
[85] See Fassina S., « For an alliance of national liberation fronts », article published on the blog of Yanis Varoufakis by Stefano Fassina, Member of Parliament (PD), on 27 July 2015, http://yanisvaroufakis.eu/2015/07/27/for-an-alliance-of-national-liberation-fronts-by-stefano-fassina-mp/

One often points at the responsibility of Germany. In fact, Germany insists on tying this agreement down to a strict conditionality, when the conditions put to the previous help plans since 2010 have resulted in a 25% drop in GDP and an explosion in unemployment. Similarly, Germany wants to impose on Athens an important pensions-reform, when these same pensions are playing the role of shock absorbers in the crisis, in a country where intergenerational transfers are replacing unemployment benefits, which have become very scant. This will result in impoverishing a little bit more the population and deepening the recession. Finally, Germany wants to impose wide-ranging privatizations. It is clear that the latter would allow German companies, which are far from being choir-children when it comes to Greece (the Greek branch of Siemens being at the heart of an enormous tax scandal) to proceed with its shopping-list at ramshackle prices. One can see that incompetence seems to reach hands with cynicism.
The responsibility of Germany is evident. In fact, the only hope – if Greece were to remain in the Eurozone – would be to annul a large part, between 33% and 50%, of the Greek debt. But the German government wants to hear nothing about this at the very moment when it is becoming known that it has drawn large profits from the Greek crisis, as acknowledged by a German expertise institute[86]. Yet, there is something in the murderous obstination of the German government towards the Greek people that is going far beyond the « rules » of a very conservative management, or of special interests. In fact, the German government wants to punish the Greek people for having brought to power a party of the radical left. In this, there is a clearly political will at work, not an economic one. But the German government also wants to make an example out of Greece, while putting its sight on Italy and France, as noted by the former Minister of finances Yanis Varoufakis[87], in order to show who is the boss in the European Union. Actually, Jörg Bibow has been forecasting it in a 2013 paper where he describes contradictions between France and Germany about the Euro future the real issue[88].
But to be forecasted such a move is certainly most alarming indeed. It is to be noted that even Romano Prodi, a former Italian PM and European commissioner is actually deeply worried by the turn taken by German policy[89]. But, Germany is acting in such a way because it has no other choices. For to act differently would be tantamount to accepting what Romano Prodi is implicitly proposing namely a *federal* organization of the Eurozone. However, this is not possible for Germany. If one doesn't want the Eurozone to be the straightjacket which it is presently, allying economic depression to austeritarian rules, it would be necessary indeed for the countries of the North of the Eurozone to transfer between 280 and 320 billion Euros per year, over a period of at least ten years, to the countries of Southern Europe. Germany would have to contribute to this sum probably to the tune of at least 80%. This means that it would have to transfer every year 8% to 12% of

[86] « Greek Debt Disaster: Even If Greece Defaults, German Taxpayers Will Come Out Forward, Says German Assume Tank » in *Observer*, http://www.observerchronicle.com/politics/greek-debt-crisis-even-if-Greece-defauts-German-taxpayers-will-come-out-ahead-says-german-think-tank/58504/
[87] http://www.omfif.org/media/1122791/omfif-telephone-conversation-between-yanis-varoufakis-norman-lamont-and-david-marsh-16-july-2015.pdf
[88] Bibow J., « On the Franco-German Contradiction and the Ultimate Euro Battleground », Working Paper n°762, the Levy Economics Institute of Bard College, Annandale-on-Hudson, April 2013.
[89] Prodi R., « L'Europa fermi l'inaccettabile blitz tedesco », *Il Mesaggero*, 8 août 2015, http://www.ilmessaggero.it/PRIMOPIANO/ESTERI/europa_fermi_inaccettabile_blitz_tedesco/notizie/1507018.shtml

its GDP, depending on hypotheses and estimations[90]. One must state flatly that this is not possible. All those who burst into the great *lamento* about federalism[91] in the Eurozone with sobs in their voices or with martial posturing have either not done the sums, or they cannot count very well. One can, and one must criticize the German attitude towards Greece because it amounts to a political *vendetta* against a legally and legitimately elected government[92]. But to demand from a country that it transfer *voluntarily* such a proportion (the highest figure of 12% has been computed by Natixis chief economist[93]) of the wealth it produces every year is not realistic. For a third time in a century, Germany is actually destroying Europe but this time not by design but by incapacity to exert a sensible view of its hegemony.

It may be that the whole EMU project has been a political one from the outset. The very possibility it was a cover for a hidden federalist agenda has been noted[94]. But, this project has turned into something to be feared by population of Eurozone countries. As a matter of fact we are still decades away from the federalist future, and may be we would never reach it, and in a terrible economic situation[95]. The turn toward a non-democratic, to say the least, governance is also notorious. To have not understood that has doomed Syriza experiment, even if it seems that by end June Varoufakis has came to this conclusion or at least accepted it could become the result of his actions. It is time now to dismantle the EMU, and if possible to do it in a cooperative way. But we are not to be afraid would this occur in a non-cooperative way. On this point, the idea of parallel currencies or parallel banking system could be useful transitional tools toward a general dismantling of the Eurozone, but certainly not stable ones. Parallel currencies could also play a role in the context of a post-Euro situation, where the Euro itself could resurrect as a parallel currency for trade with non-zone countries. But this is a different story.

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[90] Sapir J., "Le coût du fédéralisme dans la zone Euro", note posted on *Russeurope* blog on November 10th, 2012 URL: http://russeurope.hypotheses.org/453

[91] Aglietta M., *Zone Euro : éclatement ou fédération*, Michalon, Paris, 2012

[92] As done by Nicole Gohlke and Janine Wissler, two Bundestag MP belonging to *Die Linke* in *Jacobin*, https://www.jacobinmag.com/2015/07/germany-greece-austerity-grexit/

[93] Artus, P., « La solidarité avec les autres pays de la zone euro est-elle incompatible avec la stratégie fondamentale de l'Allemagne :rester compétitive au niveau mondial ? La réponse est oui », Natixis *Flash-Economie*, n°508, July 17th, 2012.

[94] Sapir J., *Faut-il sortir de l'euro ?*, Le Seuil, Paris, 2012

[95] O'Rourke K.H., « Wither the Euro ? », *Finance & Development* March 2014, pp. 14-17.