The real sins of Varoufakis: why Greece is being punished for refusing to play by the Eurogroup's rules

7/13/2015

Talks continued through the night in Brussels, with Eurozone leaders eventually reaching an agreement on Greece. **Christopher Bickerton** *writes that while negotiations were always likely to be tough, the original discussions between Greece and its creditors did not break down because of an unbridgeable ideological gap, but instead reflected a reaction to the negotiating tactics pursued by the Greek government under finance minister Yanis Varoufakis. He argues that by breaching the etiquette of the Eurogroup's decision-making process, Varoufakis generated entrenched opposition among Greece's creditors for which the country is now being punished.*

Why did the original negotiations between Greece and its creditors collapse, to a point of virtual no return, when both sides had repeatedly said they want the same thing: for Greece to stay in the euro?

The conventional wisdom is that the policy gap between the two sides was simply too great. Elected in January, the Syriza-led government sought to reverse years of austerity under the slogan of no more bailouts. Its flamboyant finance minister, Yanis Varoufakis (who has since stood down), spoke of an economic transformation in Greece, taking on the long-standing power of the country's oligarchs. His renegotiation with the Troika was part of this broader agenda.

Facing Greece was a German-led bloc committed to more austerity and structural reforms. Within this bloc were countries – Ireland, Portugal – that had turned to the EU for their own bailouts and had undertaken the cuts and reforms asked of them. They were implacable in their belief that Greece should do the same.

Yanis Varoufakis with Finland's Finance Minister Alexander Stubb, Credit: EU Council Eurozone (CC-BY-ND-NC-SA-3.0)

But this view cannot explain why both sides came as close as they did. The often-forgotten truth of the last few weeks is that Greece and the Troika very nearly secured a deal. From the outset, the policy differences between them were minor, largely because of Syriza's moderate demands.

In early 2015, there was a lot of sympathy – including from the IMF – for Greek debt relief. When Varoufakis argued that a crisis of insolvency should not be confused with a liquidity crisis, he was listened to. Even in the very final stages of the negotiations, the remaining differences were small in what was a multi-billion euro loan agreement. In the recent referendum, heavyweight economic commentators like Joseph Stiglitz and Paul Krugman argued for a 'no', saying the intellectual case for a revised bailout agreement and debt relief was solid.

The negotiations didn't break down because of an unbridgeable gap between the North and South; creditors and debtors; the German 'Ordoliberalism' of Schäuble and Djisselbloem and Greek-style Marxism of Varoufakis and Tsipras. This gap has never existed. They broke down because Varoufakis repeatedly breached the Eurogroup's etiquette. In doing so, he challenged the very foundations of the Eurozone's mode of governance.

The Eurogroup is not a democratic institution. Though it is made up of finance ministers from democratically elected governments, these ministers meet as individuals who are there on the assumption that they will build consensus, make compromises, and reach agreements amongst themselves.

The etiquette of the Eurogroup is that one leaves one's national interests at the door. Relations are more personal than political. Ideologies and grand statements of political doctrine have no place in the body's deliberations. If a minister is constrained because of a difficult situation at home, this is treated as an understandable – if unfortunate – problem that needs to be solved. Ministers find in the Eurogroup a source of energy and support for taking on their own domestic populations. It is also a private club of sorts, where what goes on inside remains secret. Ministers attending the Eurogroup are transformed from politicians representing interests into experts seeking solutions to common problems.

The hostility towards Varoufakis stems from his breaking of all of these rules. He refused to play the Eurogroup game. It's not really about riding a motorbike, wearing combat trousers and being a celebrity academic-blogger – though his charisma and popularity probably created jealousies amongst the other (colourless and tie-wearing) politicians.

At the heart of the matter is how Varoufakis presented his demands. Thinking of himself as a representative of the Greek people, he made his wishes public, and when in the Eurogroup, he maintained the same stance – changes in views could not be informally agreed around a table but had to be taken back to Athens and argued for, in cabinet and with the Syriza party.

It was this breach of etiquette that made agreement impossible. Creative solutions can usually be found in the EU. It is, after all, a machine built on compromise. But when someone violates the very rules of the game, nothing can be done. Varoufakis exposed the Eurogroup as a private club where relations between individuals matter more than relations between the populations that are formerly being represented around the table. For that, he – and Greece – must now be punished.

Note: A version of this article originally appeared at Le Monde diplomatique. The article gives the views of the author, not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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