

Debt, a boon for creditors, a tragedy for the people !

The public debt argument is frequently used by European governments to impose austerity plans.

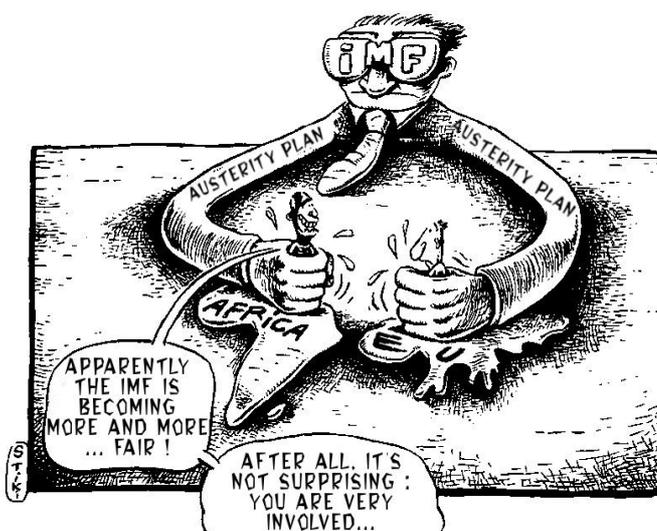
Public debt is more than just a pretext to make paying more acceptable to the population. It is a real looting of the people.

The debt is the direct result of budgetary and tax policies favourable to the dominant classes and big business. By reducing state involvement and contributions paid by the wealthiest, these policies have swollen public deficits, while satisfying the social needs of the majority less and less.

The beneficiaries of this fiscal and social generosity have been able to accumulate unneeded savings, thus increasing their wealth which they invest in profitable government bonds.

They win both ways: less tax to pay and a guaranteed annuity from their bonds. In other words, governments, by successive favourable fiscal reforms, have permitted national and transnational companies to strengthen their position of creditors of states and enabled them to blackmail the public authorities, while pocketing substantial gains.

Public debt has also increased enormously as a result of the generous bailouts that states accorded to the financial sector after the crisis that erupted in 2007-2008. Governments chose to salvage the banks, but without imposing any change to the practices that led to this crisis. The banks were bailed out with nothing being required in return. Yet the amounts involved were huge: at least 700 billion U.S. dollars in the United States, 500 billion pounds in the United Kingdom and 1.7 trillion euros in the



Euro zone. Governments have thus spent public money to rescue financial operators guilty of serious errors before the crisis and who are today speculating against state debts.

For the European Union as a whole, public debt went up from 7,300 to 8,700 billion euros between 2007 and 2009. The result of such a rapid rise in debt is greatly inflated capital and interest repayments. The states then use this pretext to impose draconian austerity plans, dismantling social security systems and public services.

Populations lose all ways: they suffer the social consequences of the crisis (unemployment, job insecurity, wage freezes, postponed retirement...), they are taxed by the states to pay the bank bailouts and they bear the brunt of the austerity plans.

The culprits of the crisis emerge more or less unscathed, hands free to continue their quest for profits. The victims of the crisis have to pay and see their living conditions deteriorate. This outrageous hold-up of public finances must be stopped !

These austerity plans must be rejected and the problem tackled at the root !

CADTM has eight alternative proposals in view of establishing a common platform of demands for the social and political movements.

1. Expropriate and transfer the banks to the public sector and place them under citizens' control.

There is no sustainable control possible of private financial institutions. The states must regain their capacity to control and direct the economic and financial activities of their countries.

2. Announce a unilateral moratorium (without accrual of interest on overdue payments) on debt reimbursements, whilst an audit of the public debt is carried out (with citizen participation). On the basis of the results of this audit, debt identified as illegitimate will be cancelled.

With its experience in analysing the debt issue in the South, CADTM warns against making insufficient demands such as the mere suspension of debt repayment. There must be a moratorium on all repayments including overdue interest on sums not repaid.

The moratorium will be used to conduct a review of loans to identify illegitimate debts, the different responsibilities in the debt process and demand that those responsible be held publicly accountable. Citizen participation will be an essential requirement to ensure the objectivity and the transparency of the audit. Debts identified as odious or illegitimate will be cancelled.

3. Establish true European fiscal justice and fair redistribution of wealth. Ban legal and tax havens. Heavily tax financial transactions.

Together with a harmonization of European taxation in order to stop tax dumping, a radical reform of taxation is needed. The goal is increased public revenue, particularly through income tax and corporation tax, a rapid decrease in the prices of basic goods and services (food, water, electricity, heating, public transport ...), notably by a sharp and focused cut on the VAT on these vital goods and services.

In the European Union, since 1980, the rates of direct taxation on the highest incomes and the big companies have been falling. Between 2000 and 2008 higher income tax rates and corporation tax fell by 7 and 8.5 points respectively. Those hundreds of billions of euros of tax breaks have been largely oriented toward speculation and the accumulation of more wealth by the richest strata of the population.

All transactions passing through tax havens must be prohibited. The G20 countries have repeatedly refused, despite their declarations of intent, to effectively tackle the legal and tax havens. These dark chasms of financial corruption, crime and high level illicit trafficking must be banned. As well as the gradual increase in taxation, there should be dissuasive taxation on speculative transactions and on the income of debt creditors.

4. Fight the massive tax evasion of the wealthiest companies and the richest people.

Tax evasion considerably reduces public resources and deprives the community of employment possibilities. Adequate public resources must be allocated for the effective repression of this fraud. The results should be made public and the perpetrators severely punished.

5. Rein in the financial markets, particularly by creating a register of securities holders and prohibiting short sales.

Worldwide speculation represents several times the wealth produced on the planet. The highly complex nature of this financial engineering makes it totally uncontrollable. The mechanisms that are put into motion undermine the productive economy. Opacity of financial transactions is the rule. For creditors to be taxed at source, they must be identified. The dictatorship of the financial markets must cease.

6. Drastically reduce working time to create jobs and increase wages and pensions.

The best response to the crisis is to share out the wealth differently. The share of produced wealth going to employees/wage-earners has decreased significantly, while creditors and businesses have increased their

profits and levels of speculation. Increasing wages not only increases people's purchasing power, it also provides resources for social protection and pension schemes. Reducing working time without wage cuts and creating jobs will also enhance the quality of life of the population.

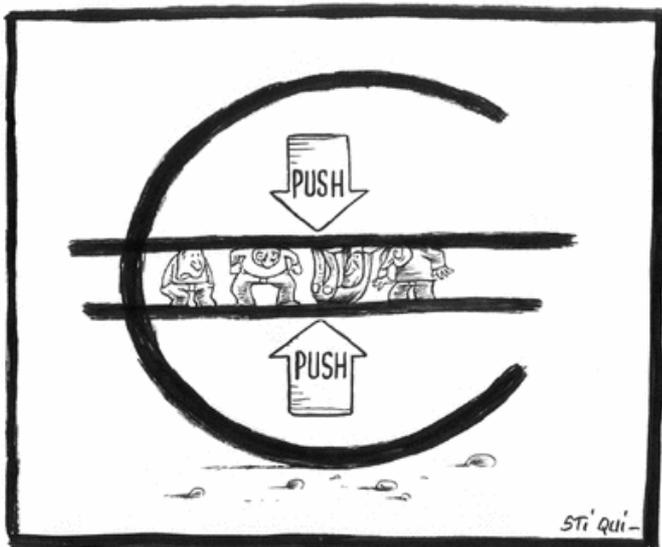
7. Resocialise the many businesses and services privatised over the past 30 years.

A feature of the past 30 years has been the privatisation of many companies and public services. From the banks to industry via the postal services, telecommunications, energy and transport, governments have handed over whole sections of the economy to the private sector, thus losing all possibility of control and regulation. These public goods, produced by collective effort, must be returned to the public domain.

8. For a constituent assembly of the people for an alternative European Union.

The EU that is imposed on the European populations through the constitutional treaties is a powerful war machine serving capital and finance. It must be completely recast by a constituent process where the voices of the people are finally taken into account. This new democratised Europe must work to harmonise fiscal and social justice from the top down, raise the standard of living and quality of life of its inhabitants, withdraw its troops from Afghanistan and leave NATO, slash military spending, ban nuclear weapons and firmly commit itself to disarmament, end the 'siege mentality' policy towards potential immigrants, and become a fair and loyal partner in solidarity with the peoples of the southern hemisphere.

Breaking the domination of Capital!



The financial institutions behind the crisis grow richer and speculate on sovereign debts with the active complicity of the European Commission, the European Central Bank and the IMF, to meet the interests of big shareholders and creditors. This private gain, helped by tax breaks and regressive social legislation, then accelerated by government austerity plans, must cease.

The reduction of public deficits should not be achieved by reducing social spending, but by increased tax revenue from higher taxation of capital (business/companies and financial capital) and income, of the estate of rich households, and of financial transactions. This requires a break with capitalistic logic and that radical change be imposed on society.

Unlike the capitalism that we are currently subjected to, the new social direction will break with productivism and include state-of-the-art ecological considerations.

Our demands are calculated to elicit effective answers to the crisis in the best interests of the people. Dropping illegitimate debt is a matter of sovereignty for states and populations. As we see it, the way out of the crisis must take populations' interests into account.

We propose to join forces in an anti-crisis front, not only at the European level but also locally, to create a balance of power favourable to the implementation of radical solutions focused on social justice.

Together, we can impose a different mindset !

Cancelling illegitimate debt is both possible and necessary, in the interests of the people!

Throughout history there have been numerous examples of debt abolition in countries North and South, sometimes unilaterally, sometimes enforced by court decisions, sometimes granted, under pressure, by the dominant powers.

International law is full of doctrines and jurisprudence that may bring about debt cancellation or repudiation, and indeed already have.

As an emblematic example, CADTM actively participated in the audit of Ecuador's debt in 2007-2008. This audit has enabled the Ecuadorian government to cancel illegitimate debts to the tune of \$300 million per year for 20 years. This money is now spent on improving public health and education and on job creation.

These measures, however insufficient, mark significant advances that can be used by social movements in the South and North to demand total and unconditional cancellation of illegitimate debt.

This cancellation is now necessary and urgent, in view of the damage the money spent in the service of debts does, in restricting the economic, social and cultural rights of populations.

Challenging the public debt and demanding a citizens' audit are now inseparable from the struggle against austerity plans !



What is the CADTM ?

Created in 1990, the Committee for the Abolition of Third World Debt (known by its French initials, CADTM) is an international network of members and local committees active in thirty countries in Europe, Africa, Latin America and Asia.

The website is in French, English, Spanish, Portuguese and Arabic : www.cadtm.org

Its main objective is to develop radical alternatives moving towards the universal satisfaction of needs, freedoms and fundamental human rights.

Its action is located at the crossroads of popular social movements and struggles, movements for public education, trade unions, international solidarity committees and development NGOs.

Over the past twenty years CADTM has developed an expertise in public debt both in the domain of analysis and in the development of alternatives.

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