

**Conference by Eric Toussaint on the battle against
illegitimate public debts and on citizen audits in the
context the economic governance of the EU**

Madrid, 2th of December 2015

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1. Public debt is a means of transfer

- Illegitimate public debt is a means for the transfer of wealth produced by the people towards creditors which are in general big private banks, big private investment funds, hedge funds, IFIs and in some cases, States.
- The point is that in order to repay the debt, States divert a large proportion of their tax take and use that to repay the debt.
- The creditors are either from the country concerned or from abroad.

2. Public debt is a means of domination

- Public debt is a means of dominating and subordinating the debtor States.
- Dependency on creditors allows the latter to impose their conditions on the debtor countries.
- The purpose of structural adjustment programmes is to favour the particular interests of the dominant economies, big international businesses and the richest 1% in the debtor country. Governments which apply them are complicit and tend to derive personal gain from policies of privatisation and deregulation of the markets.

3. Challenging the payment of illegitimate debts

It is legitimate and vital to challenge the repayment of illegitimate debts if we wish to be able to apply a policy favourable to the overwhelming majority of the population.

4. Four types of public debts which need to be challenged

a) Illegitimate debts

b) Illegal debts

c) Odious debts

d) Unsustainable debts

5. The debt audit can be used to identify debts not to be repaid

4 types of audit:

citizen audit

audit carried out at the request of the executive

parliamentary audit

judicial audit

6. Suspension of payment is a major way to change the balance of power in favour of the debtor country

7. Constraints of the governance in the context of the EU

- The European political leaders take the high levels of public debts as pretext for the strengthening of austerity policies.
- Different regulations and treaties, between them the fiscal compact strengthen the austeritarian constraint exercised in the context of the EU. This is the case of the fiscal compact condemned by ETUC.

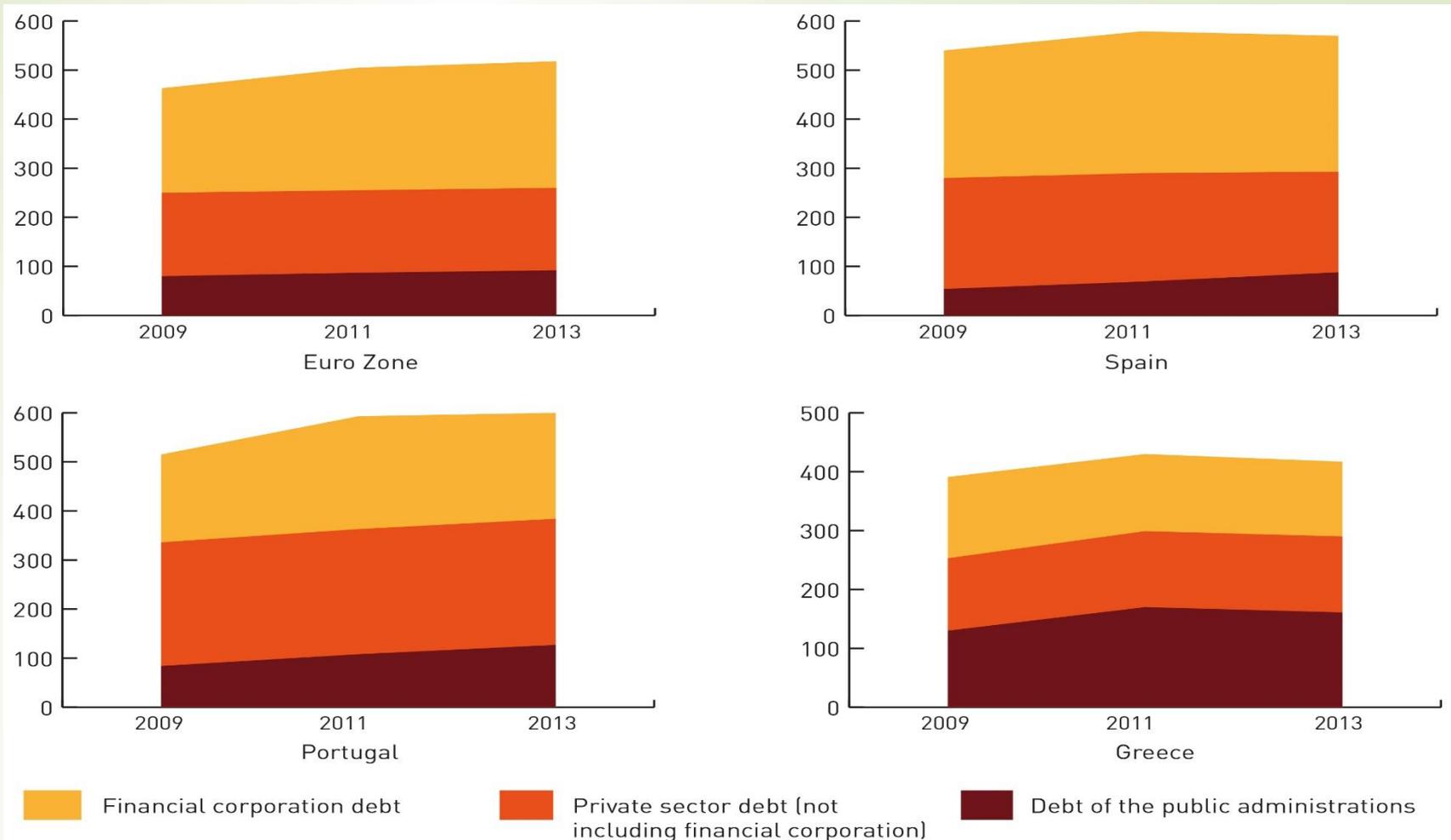
8. Which are the reasons for the rise of the public debt?

- Tax presents for the richest 1%;
- Big tax fraude and tax evasion;
- The obligation for the governments to borrow money from the private banks and from the financial markets;
- The economic crisis provoked by the private banks and extended by austerity policies;
- The bank rescue and the socialisation of the loses of the private banks.

Evolution of the public and the private debt in the Eurozone between 2009 and 2013 in % of GDP

	2009	2011	2013
Euro Zone			
Debt of the public administrations	80	87	92
Private sector debt (not including financial corporation debt)	170	168	168
Financial corporation debt	213	250	258
Spain			
Debt of the public administrations	54	69	88
Private sector debt	226	221	205
Household debt	86	83	81
Non-financial private sector debt	140	138	124
Financial corporation debt	260	289	277
Portugal			
Debt of the public administrations	84	108	127
Private sector debt	252	255	257
Household debt	96	93	91
Non-financial private sector debt	156	162	166
Financial corporation debt	179	230	216
Greece			
Debt of the public administrations	130	170	161
Private sector debt	123	129	129
Household debt	53	63	64
Non-financial private sector debt	70	66	65
Financial corporation debt	138	131	127

Evolution of the public and the private debt in the Eurozone between 2009 and 2013 in % of GDP



9. Some examples of explication concerning the rise of public debts

- Greece;
- Spain;
- Belgium

10. Regulation 472 of the EU

- Point 9 of article 7 obliges the Member states under structural adjustment to realize a complete audit of the public debt in order to explain why the debt has risen in an exaggerated matter and in order to detect irregularities. Here the complete text « A Member State subject to a macroeconomic adjustment programme shall carry out a comprehensive audit of its public finances in order, inter alia, to assess the reasons that led to the building up of excessive levels of debt as well as to track any possible irregularity. »
- **REGULATION (EU) No 472/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability** <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013R0472&from=FR>

11. The Greek experiment

- In 2011, a citizen audit experiment began.
- In 2015, the new president of the Greek parliament set up an audit commission to establish the truth about the Greek debt and tasked me with the scientific coordination of that commission.
- Work began in April 2015 and the commission was given the official backing of the government and the president of the republic. The commission reported its preliminary conclusions in June 2015 after two and a half months of work.
- This commission concluded that the debt being claimed back from Greece was illegitimate, illegal, odious and unsustainable. Why?
- The commission was given strong support from the population: the role of the parliament channel on television.

12. Ultimately, the Greek government did not follow the commission's recommendations and capitulated in July 2015

Why?

It had just one plan: to negotiate the reduction of austerity policies without challenging the repayment of the debt even though this was part of Syriza's programme in 2012.

13. Capitulation could have been avoided

Obviously the first responsibility for the capitulation lies with the creditors, in other words the other Eurozone governments, the European Commission, the Central European Bank and the IMF.

On 20 February 2015, instead of signing up to the first damaging agreement, the 5 priority measures taken should have been

- To repeal the most anti-popular measures;
- To suspend payment of the debt and start an audit of it;
- To socialise the banks;
- To create an extra currency;
- To take very robust fiscal measures to increase State revenue by placing responsibility for payment at the door of those who are profiting from the crisis and who largely caused it.

This should have been linked to a popular mobilisation.