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Debt

The people of Europe should audit the debt

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Eric Toussaint of the Campaign for the Cancellation of Third World Debt (CADTM) was a a member of the Audit Committee set up by the president of Ecuador, Rafael Correa, in order to avoid a large proportion of Ecuador's public debt. In Ecuador, the debt audit helped sucessfully delete $3.2 billion from the debt.

Ecuador unilaterally eliminated as illegitimate ("illegal " or "odious") - a debt of 3.2 billion dollars. Despite the embargo of the markets, there have been no big negative consequences for Ecuador.. On the contrary, the economy grew by 3.7% in 2010 and is expected to grow by 5% in 2011.

Now he says : The people of Europe should audit their creditors. It is not logical to repay illegitimate debts . Debt default and the denial of debt repayment have been linked to a national disaster. These "revelation images" are aimed to make people accept the policies that are being applied.

The Committee's work in Ecuador has recently been mentioned in the Greek Parliament by Sofia Sakorafa. But could the experience of Ecuador be helpful in Greece? Eric Toussaint thinks so: "While the economies of the two countries are different, the structure of Greek public debt has a lot in common with developing countries.

First, Greece is financing a part of debt in the form of bonds by the Government authorities ("securitization of public debt"), a technique used by Ecuador. Second, another large part of the Greek debt is in the form of bank loans, which is also the case for developing countries.
Third, as a result of the rescue plan in May 2010, Greece has borrowed from the IMF.

In other words, what is happening in Greece today is not very different from what has happened in many developing countries in recent decades, namely, through the IMF-imposed "Washington consensus"."

Eric Toussaint sees another common element: "Ecuador's debt was mainly owed to the banks in the U.S. In 200 Ecuador abandoned its national currency and adopted the U.S. Dollar, the currency of its lender. Similarly Greece has the same currency with its lenders, such as France and Germany, the Euro."

The last observation does not mean that defaulting on the debt will necessarily be accompanied by exit from the euro: "There is not an automatic exit from the eurozone if Greece is to stop paying. Greece will have to decide if it wants to remain in the eurozone after a dialogue in the Parliament and with the Greek people."

For Eric Toussaint, wages, pensions and savings can be secured. "If a state refuses to repay the debt, it saves money. In order to repay the debt, the state is using a very high volume of government spending money that could be used in order to pay salaries, to build public hospitals, schools and public agencies, to act to ensure the security of the country. The states that have defaulted up to now have realized that this has improved their ability to meet their obligations to their citizens."

Also, considering citizens' deposits, "the public authority must take responsibility and create a large public financial sector. The state can cover the cost of strengthening the banking system, by using the assets of the major banks' shareholders."

Domino effect

Although the reasons the debt increased to this level are different in Greece, Mr. Toussaint insists that the debt is not an issue that is only concerning Greece. “Greeks have to understand that they are not the exception to the rule. What has happened in Greece since April 2010 was repeated in Ireland in October 2010, it will happen again in Portugal, Spain and Italy. It would really be a shame for the Greeks to believe that they are an exception and to fatally accept the terms imposed on them.”

Argentina – Russia. The default has saved them

As a witness in defense of his claim for defaulting on odious debts, Eric Toussaint refers to the Nobel laureate economist J. Stiglitz, who in a 2010 study revealed that the economies of countries such as Russia or Argentina have been in a better financial situation since defaulting and have been able to save money to boost growth.

Playing dirty: Foreign banks to take responsibility

For Mr. Toussaint, Eurobonds are not a solution to our problem. First and foremost, he believes that the conditions for granting loans in Greece should be explored.

The question that we should primarily answer is: “Is it normal for citizens of a country like Greece, to repay a debt that is not legitimate?” If the loans had been made in the interests of citizens with respect for their basic needs and if the banks, mostly French and German, had acted carefully and rationally, then we would say that the debt should be repaid. But the bulk of debt is illegal and the bankers who purchased Greek titles must take their responsibilities. They have entered into loan agreements with unreasonable and illegal terms, and therefore they must accept the cancellation of a significant part of the debt.

Eric Toussaint refers to the “excessive military spending in Greece, much of which is due to Franco-German pressure.”

This interview with Eric Toussaint was carried out by Nikitas Kouridakis for the Greek daily paper Ethnos tis Kyriakis Third Greek daily paper Ethnos tis Kyriakis is centre- left oriented paper, with the third biggest circulation (100.000 copies) in the country. The original version of the interview was published on 9 January 2011 here.

