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Debt crisis

Citizen debt audits: how and why?

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Description:

The question of the repayment of public debt is undeniably a taboo subject. The heads of State and governments, the European Central Bank, the International Monetary Fund, the European Commission and the mainstream media present it as inevitable, indisputable and obligatory. The people have no other choice than to knuckle under and pay. The only possible discussion pertains to how the burden of the sacrifices will be spread around so as to find sufficient budget to meet the nation's obligations. ~~The borrowing governments were democratically elected, thus the debts are legitimate; they must be paid.~~ A citizens' debt audit is a means of breaking this taboo. It enables an increasing proportion of the population to grasp the ~~ins and outs~~ of a country's national debt process. It involves an analysis of the borrowing policy followed by a given country's authorities.

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Questions to ask

What brought the state to take on continually increasing debt? For what political choices and social interests has the debt been contracted? Who has profited from this? Was it possible or necessary to make different choices? Who are the lenders? Who holds the debt? Do the lenders impose conditions and, if so, what are these? How much do the lenders benefit? For what decisions and reasons has the state borrowed? How were these decisions made? What interest has been paid, at what rate and how much of the principal has already been reimbursed? How have private debts become public debts? What were the conditions of each bank bailout? What did they cost? Who made the decision? Should the shareholders, and directors they chose, who provoked disaster, receive compensation? What is the portion of the state's budget used to service the debt? How does the state finance debt repayments?

No need to access state secrets to find the answers

To answer these questions, and many others, there is no need to leak state secrets or access confidential documents from central banks, finance ministries, IMF, the ECB, the European Commission, international clearing houses such as Clearstream or Euroclear [1] or rely on leaks from insiders working in these organizations. Of course, a great number of documents jealously guarded by governing bodies and banks must be released to the public and would be extremely useful in honing the analysis. We must demand access to documentation required for a full audit. However, it is perfectly possible to proceed with a rigorous examination of the public debt using documents that are already open to public scrutiny. Important data is already available to whomever takes the trouble to unearth it; in the press, government reports, official websites of parliamentary institutions, central banks, official financing agencies of all sorts, the OECD, Bank for International Settlements (BIS), the ECB, private banks, organizations or groups that have already undertaken a critical analysis of public debt. <http://cadtm.org>, <http://attac.org...>, local government archives, credit rating agencies or Ph.D. Memoranda. There is no need to hesitate about lobbying members of parliament to ask questions in the House or local councilors to raise the issue in their local councils.

No need of specialists to conduct an audit

Auditing is not a task for experts alone. They are of course welcome to take part and may contribute much to the citizens' effort, but these citizens can get started on the audit without expert participation. The groups' research and

actions to spark public discussion will strengthen and broaden their expertise and can get various specialists onside. Each of us may take part in analysing the public debt process and bringing it into the open. A national collective for a citizens' audit of public debt was created in France in 2011 <http://audit-citoyen.org>, bringing together many organizations and political parties. Tens of thousands of people signed the call launching it. Many local citizens' audit committees have since been organized throughout France within this framework. Local realities are also a means of examining the public debt process, starting with the "structured loans" that several banks, particularly Dexia, have sought to impose on local governments. A certain amount of work has already been done on this matter by the association "Public actors against toxic Loans" (Acteurs publics contre les emprunts toxiques), which includes a dozen or so local authorities <http://empruntstoxiques.fr>. We may also start by examining the funding difficulties of local health services, such as hospitals. Citizens' debt audit initiatives have also got underway in Belgium, Greece, Ireland, Italy, Spain and Portugal.

Other aspects in the field of private debt may also be considered. In countries such as Ireland and Spain, where hundreds of thousands of families have become victims of a real estate bubble, it is relevant to examine household mortgage debts. Victims of mortgage lenders could provide testimony about their situation and help us understand the illegitimate debt process affecting them.

A very promising field of action

The scope of action for public debt audits is infinitely promising and in no way resembles a routine accountancy operation, merely checking on a series of figures. Beyond keeping tabs on finances, audits play an eminently political role linked to two basic social needs; transparency and democratic control of the state and its representatives by the citizenry. These are needs that refer to basic democratic rights recognized in international law, domestic democratic law and constitutions, although these rights are continually violated. Citizens' right to oversee the acts of those who govern them, to be informed on every matter pertaining to their administration, their objectives and motivations, is an intrinsic part of democracy itself. These derive from citizens' basic right to exert control over the powers that be and to take an active part in public affairs, which affect everyone.

The fact that governments, which continually blitz the media with rhetoric about transparency, oppose citizens' audits is an indication that current democracies are in a sorry state. This ongoing need for transparency in public affairs has become a vital social and political necessity. Hence, real transparency is the ruling classes' worst nightmare.

Citizens' audits for repudiation of illegitimate debt

Carrying out a citizens' audit of public debt combined with a strong popular movement for suspension of repayments should culminate in the abolition/repudiation of the illegitimate part of the public debt and a drastic reduction of remaining debt.

There is no question of accepting debt relief decided by the lenders, in particular because of the severe price to pay such relief implies. Cancellation of the debt by an indebted country thus becomes a unilateral sovereign act of great significance.

Why should a state radically reduce its national debt by canceling illegitimate debts? Above all for reasons of social justice, but also for economic reasons easy enough to understand and defend. To emerge from the crisis in a positive way, boosting the economy by relying on public and household demand is not enough. Relying on such a policy,

even combined with a re-distributive tax reform, any extra tax revenue would be funneled into public debt repayments. Greater taxation of the wealthiest households and major private firms (national or foreign) companies, would be generally compensated by the income they derive from government bonds. As they hold most of these, they don't even want to entertain discussion of debt cancellation. So it is necessary to simply write off a very large share of the national debt. The size of the write-off will bear a direct relation to the level of public outrage among victims of the debt system (the citizens' debt audit plays a key role here), the course of the political and economic crisis and above all the balance of power that can be built in the streets and public squares, and in workplaces, through present and future protests.

A radical reduction of national debt is a necessary, but insufficient, means of getting European Union countries out of the debt crisis. Other complementary measures are also necessary: tax reform to redistribute wealth, collectivization of the financial sector and re-nationalizing other key economic sectors, shorter working hours with no cut in income and with compensatory hiring, and many more measures [2] that would result in a radical change from the current state of affairs that has driven the world into a volatile dead end.

Translated by Mike Krolikowski, Marie Lagatta