After Greece: "We Need a Plan B for Europe"

Tuesday 16 February 2016, by DOLCEROCCA Antoine, KNAUSS Steve, TERZIOGLU Gokhan, TOUSSAINT Éric (Date first published: 9 February 2016).

Potemkin Review **met with Dr. Éric Toussaint, a founding member and President of the Committee for the Abolition of Third World Debt (CADTM) - Belgium, and a global spokesperson for the movement. Author of more than a dozen books on the political economy of neoliberal globalization and the fight for alternatives, he has also served in an advisory role on matters such as the cancellation of illegitimate debts and the establishment of debt audit commissions in countries such as Ecuador, Paraguay, Argentina, and East Timor, as well as for organizations such as the UN general secretariat, UNCTAD, and the African Union. Most recently, he presided as the scientific coordinator for the Truth Committee on the Greek Public Debt established by then President of the Greek Parliament Zoe Konstantopoulou in 2015. He sat down with** ***Potemkin Review*** **to give the following interview.**

Gokhan Terzioglu, Steve Knauss & Antoine Dolcerocca – As we know, the main mechanism that turns a financial crisis into a sovereign debt crisis is the socialization of the private debt of banks and other financial institutions through bailouts. Since the financial sector sits on the credit and payment system of the whole economy, it is therefore in a position to blackmail to take everything down with it, if their losses are not borne by the public as a whole. Indeed, in most cases governments find it too risky to let these major players fail, so they end up being injected public money, financed by issuing government bonds that add to sovereign debt. This makes repudiation of debt thus incurred and nationalization of credit and finance two key priorities in fighting against the subordination of whole populations by finance capital.

We know that nationalization of this key sector is possible and has precedents in a number of advanced capitalist countries, such as in France after the liberation. Nevertheless when François Mitterrand attempted once again in 1981 to nationalize certain key sectors including finance, not so much in an attempt to fight global capital as to revive the country's economy, the endeavor ended in capitulation with his government backtracking a few years later. Do you think countries have less room for maneuver under global neoliberalism to pursue such a route? What do you think about the complementarity of unilateral measures such as capital controls, refusal to pay illegitimate debt and bank nationalizations? What about the order of implementing such measures in order to maximize their benefits?

Éric Toussaint – I have a very strong conviction that for a whole series of European countries, obviously countries such as Greece, Portugal, Spain, Ireland, and Cyprus, but also a group of other countries, if we want to change the political orientation and break with austerity, there are fundamental measures to take. Because, in many countries – including these last months in Portugal, but also in Greece and we will for sure see it rapidly in Spain as we already see it in Italy – it is very clear that the banking crisis is not at all resolved. As soon as the international economic situation deteriorates, the balance sheets of the banks become quite fragile (explosion of non-performing loans for instance). We are witnessing today a very important fall in the stock market that implies a fragilization of the banks, and therefore, among the first measures to take there is a need to effectively take control of the banks. In some cases (for example, Greece) it will be necessary to bring about their failure in order to reclaim them under our control. Of course we will then rapidly put them back into operation, but in first allowing their collapse we are making those responsible for the crisis pay the costs. In the Greek case, for example, I am convinced that this is exactly what should have been done.

You asked me about Mitterrand who made a move in the direction of the nationalization of banks and then capitulated. When Mitterrand discussed nationalization, in a certain sense he was not under the pressure of resolving a banking crisis, whereas today any potential left government in Europe is under the obligation to take control of the banks. If they don’t do so, the public finances will not be able to support the cost of resolving the crisis of the banking sector and the European Central Bank (ECB) will exercise a permanent blackmail over the liquidity of the banks and, as it did with Greece, asphyxiate the banking system. Therefore, I would agree that the margin to maneuver is narrower than that which Mitterrand had, as we are in the Eurozone and the European Union. Nonetheless there is a practical and political obligation to enter into conflict with the European institutions and the ECB. Here, I am simply speaking of unilateral measures of self-defense for a country that is living through the banking crisis. I want to add that as far as the debt audit is concerned, the unilateral measures to take are based on regulation number 472 of May 21st, 2013 [1], that envisages a debt audit; hence a government in the Eurozone can perfectly say that it is applying this regulation. There is therefore a legal basis, I would say, in the action taken by the government. However, in the case of Greece and probably in other countries under the pressure of the creditors, I would also add a call for the unilateral suspension of payments during the duration of the debt audit. Of course, this measure will not be accepted and there will be a conflict, but there are arguments in international law to support these types of unilateral actions as self-defense measures. Without question, all these measures are directly linked to a key immediate measure that has to be taken, which is the implementation of capital controls. It’s clear that there is an immediate link here with the political situation. To do all this, one needs to have popular legitimacy and organize popular mobilizations along with international solidarity.

To move from the general to a more concrete case that is on everyone’s mind, let’s talk about your experience in Greece. You were the scientific coordinator of the Debt Truth Commission set up in April 2015 by the president of the Greek parliament Zoe Konstantopoulou. The commission released its report on June 17, 2015, just as the 4 month extension that Syriza obtained in its February 20 agreement with the Troika was set to expire on June 30. In such an important moment politically, the commission set out to show that contrary to popular belief, the increase in debt did not stem from excessive public spending on the part of the Greek welfare state but from other factors such as the state recapitalization of private banks, the payment of extremely high rates of interest to creditors, the over spending in defense, etc. The report made clear that the purpose of the loan agreements to Greece was to rescue Greek and other European private banks and that the majority of borrowed funds were transferred directly to financial institutions. It also identified for each creditor (IMF, ECB, EFSF, bilateral loans, private creditors) evidence of illegal, illegitimate, and odious debts, and presented legal arguments that could permit Greece to unilaterally repudiate such debt. Notwithstanding the report’s findings, however, by early July the Tsipras government opted against pursuing any such measures in favor of capitulating to the European institutions, as is well known. In hindsight, what course of action could have been taken at the time the report was published or even before that

might have avoided such capitulation?

First of all, already by February 20, I think that the Tsipras government and Minister Varoufakis should have taken the measures that I've mentioned above. That is to say, they should have said from the beginning: "we are carrying out an audit of the debt, we are applying article 7 of regulation 472 as a defensive measure against you creditors, who haven't opened a single serious avenue toward negotiations during our first three weeks in government. During the audit we suspend the payment of the debt" Therefore, I think the February 20 agreement already contained a retreat on the part of the Syriza-Anel government [