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Greece

Why a debt audit in Greece

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After 6 days in Greece, all I could hear from many Greek people is: “we don’t know what is our public debt; we can’t understand how come it became so immense, because we don’t see it’s correspondence in investments, benefits, or anything to the country; workers only know we are paying too much taxes and having our rights being cut down every day with closing of schools, hospitals, kindergartens; employee going high and we’re are hit every day with terrorist information about the future of our country’s economy and even risk for our historical monuments”.

The women are the main victims of these measures, because they are the first ones to be filled from their jobs, and the last ones in line for new jobs. Also, when social services are cut down or eliminated, it’s expected that women will take care of services like health, education, assistance, children care, and many others, without any payment.

People is confused because everything is going on too fast and day by day new adjustment measures are announced, with the strong interference of IMF, European Central Bank and European Commission – the Troika - in the internal matters of Greece economy and policies, interfering directly in the people’s life and in Greek’s sovereignty.

One year ago, the memorandum was signed with IMF. Since then, currently new revisions and new measures are imposed directly to the Greek society, because the Greek Parliament is not even voting these measures that are recommended by the Troika and, in the next day, are already being practiced. The direct intervention of the Troika is a completely new situation for a society who gave birth to democratic way of government in the world history.

All this social, economic and political damage is a consequence of the so called “debt” crisis. But we must remember that it didn’t start as a debt crisis, but as a bank crisis: a financial private sector problem.

In 2008, the largest financial crisis beat the main financial institutions in the USA, because of a huge “bubble” originated by the issuing of an immeasurable amount of series and series of derivatives and other kinds of financial products without any real value, which loaded the financial market of “garbage”. This procedures were possible because the existing controls under the SEC [\[1\]](#) - that had the role, since the 1929 crisis, to control the “quality and authentic” of papers deal in the financial market – were disrespected and bypassed for the many financial institutions.

The media generally nominates these “garbage” papers as “toxic assets”. The amount of derivatives and all toxic papers was so large that Obama thought about creating “bad banks” in order to “clean up” the financial system. That idea also came up in Europe in early 2009:

It’s very important to know that the institutions who issued these papers are the largest and most important ones of the financial world, because they are the ones who have “credibility” to have their own papers accepted and negotiated in the financial market. Only very few of these important institutions broke up - Lehman Brothers, for example - but soon the USA approved a plan to bailout the financial system, by transferring great amount of public resources into financial institutions in order to rescue them, saving them from bankruptcy. The same plan went on in Europe in 2009, and since the beginning, everyone knew this plan represented a serious risk for all countries, as shown on the Feb 2009 new:

Thus, in a certain point, besides aware of the risk of economic ruin, all countries in the North started to put a lot of

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money in the financial sector, in order to rescue institutions. There is no transparency about this amount of money that has been given by countries to the financial sector. Estimative goes up to trillions, but no country has revealed clearly the right amount that has been given to bailout banks since 2008, and many “secret” documents – as mentioned in the notice above – has been produced.

The worry part of the history is that the northern countries didn't have, on their budgets, all the money they decided to give to banks. This way, countries created public debt by issuing public bonds to give to banks in order to fill up the big role created by their “toxic assets”. So, a significant part or the “sovereign bonds” of these countries did not represent real “public debt”, or bond issuing to obtain resources to the country, but simply the utilization of debt mechanism to guaranty funds to financial institutions.

Besides this, the deregulation of the financial market is permitting the use of sovereign debt bonds as if they were cards or chips of a casino, used for gamblers bets and games. How can a society be responsible for the losses of such irresponsible and immoral operations, which are taking money from essential services like Health, Education, Assistance, Security, Sanitation, provoking the loss of thousands of employee and, in the other side, making many gamblers very very rich?

Can the result of these operations be considered as “public debt”? The good economy books explain that public debt is an instrument that can be used to finance the stat needs. The bonds issued to bailout banks can't be considered as public debt, but should be treated as a separated loan to be paid by the banks, not by the entire society.

The instrument of “public debt” is being used now in Europe as it has been used in Latin America since the 70's. The experiences of debt audit – official audit in Ecuador and citizen initiative in Brazil – have proved that in the last 40 years the only beneficiary of the commercial external debt were the large international banks; instead of being an instrument to finance state activities, this kind of debt in bonds was a mechanism to transfer public resources into the private financial sector.

The debt-audit also proved that the financial crises we had in 1982 were provoked by the same international private creditors and that crises opened the opportunity for an intense interference of IMF in our economies with fiscal adjustment plans – just like it's happening now in Europe – that cost as at least 2 decades of heavy social sacrifice (that we call lost decades) in order to guarantee benefits for the financial sector.

It's very important that European countries, who are not under dictatorships as we were in the 80's in South America, organize civil commissions, like our organization in Brazil - to research documents, encourage popular investigations, studies, social mobilization and elucidation about this debt process as soon as possible.

A debt-audit is an opportunity to have documents and proves of the real nature of the so called “public” debt. The findings of the audit can push concrete actions in all fields: popular, parliamentarian, legal and any other policies.

Most part of Greek public debt is reflected in sovereign bonds. The first question we must ask is: What part of Greek public debt comes from bonds issued to rescue banks? What part of this debt has never being really received by Greece, because is just a result of financial mechanisms, attacks, and speculations in financial market? Does anyone own what has never received? Is it right that all Greek people pay for this?

That's why it's so important to have a debt audit in Greece and the organizers of the recent Conference of Debt Audit in Athens and Seminar in Tessaloniki deserve all congratulations for opening this urgent debate. [\[2\]](#)

From the [CADTM website](#).

[1] SEC - Securities and Exchange Commission in United States of America.

[2] See [Declaration from the Athens Conference on Debt and Austerity](#).