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Call

Why Euro zone countries' debt to the ECB must be cancelled

- IV Online magazine - 2021 - IV563 - December 2021 -

Publication date: Tuesday 7 December 2021

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Since the beginning of the coronavirus pandemic public debt in the eurozone has increased by an average of 20%.

The reason for such an increase is straightforward: instead of finding the necessary new resources by taxing the wealthiest 1% and the big corporations [as the CADTM and others had been demanding](#), governments have preferred borrowing, thus increasing the weight of illegitimate debt.

The past 40 years of neoliberalism and its repeated crises has widened the gap between the working classes and wealthy asset-owners and increased the burden of public debt in the continual process of capital accumulation. The coronavirus pandemic does not affect all social classes equally. Big corporations such as the GAFAM companies (Google, Amazon, Facebook, Apple, Microsoft) have garnered huge profits thanks to the lockdowns; Big Pharma companies such as Pfizer, Moderna, AstraZeneca, Johnson & Johnson, Curevax, Merck, have had windfalls from the pandemic by selling vaccines and treatments at exorbitant prices (see [Coronavirus: Global Collective Commons vs Big Pharma](#)), major banks and investment funds have also benefited from government grants as have big energy sector corporations.

Refusing to implement a Covid tax on the wealthiest and on big corporations has not only increased inequalities but also resulted in a steep increase of the debt, as tellingly illustrated in Europe. The total public debt in the Euro zone amounts to Euros12 trillion. From early 2020 to July 2021, Euro zone debt rose, on average, from 86% of the GDP to 100%. A number of countries have a much higher debt/GDP ratio. The public debt of Belgium and France is close to 120% of their GDP; for Spain 125%; for Portugal 140%; for Italy 160%. As to the public debt of Greece it reaches 210% while at the worst time of the 2015 debt crisis it amounted to 180% and the Troika pretended it would go down.

The ECB holds a significant portion of the Euro zone public debt. At the moment of writing these lines, it has over Euros3.9 trillion in eurozone sovereign securities, i.e. over 30% of the above mentioned Euros12 trillion. Figures for each country are available on the ECB website. The ECB buys sovereign securities of eurozone countries through two programmes: 1. the [Pandemic emergency purchase programme \(PEPP\)](#) and 2. the [Public sector purchase programme \(PSPP\)](#).

Some examples: The ECB holds about Euros140 billion of the Belgian debt, Euros730 billion of the French debt, Euros360 billion of the Spanish debt and Euros675 billion of the Italian debt.

The ECB purchased the securities from private banks as it does not grant loans to Euro zone member States. On the other hand, States repay these bonds to the ECB.

Since 2020 many economists and social movements have demanded the cancellation of debts held by the ECB, see the call "Cancel the public debt held by the ECB and 'take back control' of our destiny" [signed by over 150 economists published in various media in February 2021](#). The ECB can cancel debts held on eurozone countries. It is a mere bookkeeping operation that does not raise any difficulty, and a central bank cannot go bankrupt.

The ECB board and European governments rejected this proposal because they favour an increase in public debt. It will allow them and their institutions to quickly roll out the good old new discourse. After claiming that States could increase their debts, they will say that they must now cut expenses, reduce public investments, introduce new structural measures in old-age pensions and social security systems, restore the rules on fiscal deficit, which have

been temporarily suspended but in no case cancelled. In other words, they are impatient to return to the austerity policies inscribed in the European Treaties.

This extended period of pandemic has been used to flaunt rights and liberties. The cancellation of the public debt held by the ECB must be considered an emergency measure to secure public health. If so, it would reduce the Euro zone countries' debt by about 30%. Debt repayment would be less crushing, and as a consequence public authorities would find fresh resources to increase expenses in such fields as health care, social solidarity, struggle against the ecological crisis and climate change. It is high time that the collective [interest](#) of the peoples of Europe take the upper hand on the tyranny of financial markets.

What's more, the precedent of cancelling of ECB held debts would deprive the ECB of a coercive instrument that it uses to enforce its neoliberal agenda. Indeed, as long as the ECB is the Eurozone countries' main creditor, it threatens those who are reticent to the neo-liberal doxa, to stop buying their debts or to refuse them as [collateral](#), which would increase the cost of their new loans. That is exactly what happened with Greece in 2015, and what it threatened Italy with in the spring of 2019.

Taking this tool away would be a victory.

But we must not forget that besides the cancellation of debts held by the ECB there are other options. A popular government can unilaterally suspend debt repayment to the ECB, which will force it to negotiate and make concessions. This would prompt other governments to follow suit. To this end, citizens' support of a popular movement demanding an audit of all debts as a key instrument to establish their illegitimate, illegal, odious or/and unsustainable parts that ought to be cancelled, is of the utmost importance. This is still an essential strategic move today.

The fears that in case of cancellation, the financial markets and the various private creditors would demand higher [interest rates](#) to further finance governments, is unfounded. All governments that benefited from a substantial reduction of its debt had access to less costly loans than before the cancellation. Indeed, creditors consider that a country with a low level of indebtedness is more creditworthy.

Obviously debt cancellation is not the ultimate solution, other measures are necessary: higher taxes on the wealthiest 1% and on big corporations as we have demanded from the start of the pandemic; fighting tax evasion with high fines on evaders, the suspension of the banking licence for banks that act as intermediaries for abusive tax avoidance, the elimination of European tax havens, the public ownership of key sectors of the economy,... Higher taxes on the wealthy must be combined with a reduction of taxes on the majority of people, such as a lowering of VAT on basic goods and services, such as energy. On the other hand, taxes on luxury goods must be increased.

Confronting the current social crisis inevitably means fighting inequalities. We have to fight multiple, interconnected and increasing inequalities and act on their sources such as unfair tax policies, austerity measures and the power of big corporations. In short, we have to focus on redistribution of wealth and resources as the main point of an eco-socialist programme. Because our lives are worth more than their profits, let us tear away the straitjacket of the debt.

Translated by Mike Krolikowski and Christine Pagnouille

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