ANGLO NOT OUR DEBT

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DEBT JUSTICE ACTION: CAMPAIGN TO DATE AND NEXT STEPS

CAMPAIGN TO DATE

Debt Justice Action (DJA) is a group of organisations and individuals committed to a just and sustainable resolution of the Irish, European and global debt crises. The main focus of our campaigning to date has been on the debts accrued by the former Anglo Irish Bank and Irish Nationwide Society (INBS) and taking the form of the so-called 'promissory notes', which we argued should have been written down as they represented *private* debt that was inappropriately socialised. Instead the government this year converted these notes into sovereign bonds (state debt) with a longer repayment period but with no element of cancellation.

Short-term savings (of approximately €1 billion per year) from this stratagem are likely to be generated in 2014 and 2015 but the government has already made clear that these savings will not be used to mitigate austerity, or to ease the plight of the many people in Ireland who are facing personal (including mortgage) debt crises, but rather to unnecessarily accelerate deficit and debt reduction. Furthermore, the conversion of the notes into bonds adds a veneer of legitimacy to an illegitimate debt, while the extension of the repayment period imposes unfair burdens on future generations. Overall, this was a profoundly unjust outcome and one that could have been significantly improved upon had the government simply suspended the promissory note repayments and entered into serious negotiations with a view to achieving a write-down of the debt.

NEXT STEPS

The Anglo bonds

Some €25 billion of what used to be promissory notes but are now Anglo bonds are being held by the Irish Central Bank (ICB) and these are already being sold off to private investors (with all to be sold over the next few years) – those investors will then receive the interest and principal due on them. This is completely unacceptable as the same types of financial market operators who had gambled by lending to Anglo and INBS in the first place, and who had their losses made good through the promissory note device, stand to make even more money from the on-going repayment of illegitimate debt. DJA calls on the government to not pay any interest or principal due on these bonds and to not sell them on to speculators. This €25 billion of illegitimate debt can still be directly written down – and should be.

The overall cost of the bank bail out

Ireland, in per capita terms, has endured the largest bank bail-out of all time. *None* of the debts run up by private banks should have found their way onto the backs of ordinary people living in Ireland. As the total estimated cost of the bank bail-out is approximately €64 billion[1] this leaves us with some €39 billion (€64 billion minus the €25 billion of Anglo bonds in the ICB) of further illegitimate debt to be written down. Some of the bondholders (those who lent to *all* the private Irish banks) are still due for repayment – they should *not* be paid. In Greece and Cyprus, private sector creditors have seen small (if insufficient) reduction s in the value of their bets so such debt write-down is clearly feasible and will not generate the collapse of the financial system. Previous experience in countries such as Argentina and Ecuador also demonstrates the feasibility of writing down private debt. Already in Ireland debt *is* being written down but through largely unregulated market mechanisms that have allowed wealthy individuals reduce their debt burdens – the principle needs to be extended more widely, and in a democratically coordinated way, so that it is ordinary people who gain. All bondholder payments from Irish banks and ex-banks should be stopped immediately. This action can be taken unilaterally and/or as part of a Europe-wide initiative that might see a broad-based conference agree a write-down of sovereign, business and household debt (another area of pressing crisis in Ireland and elsewhere) along the lines of the London Conference of 1953 which ensured debt sustainability for Germany.

However, a large amount of money has *already* been paid to bondholders and DJA believes that this money should be recouped. Some may be recovered through sale of shares in state-owned banks and other measures, but there will still be substantial sums outstanding. As the identity of the bondholders themselves is hidden behind a veil of secrecy, the fairest option would be to tax the European financial sector as a whole to an extent commensurate with the scale of the gains made by them from the repayment of illegitimate debt to date. The proposal for a wealth levy put forward by the ATTAC network provides a potential model for how such a restitution scheme might work; clamping down on tax avoidance by wealthy individuals and corporations, which should occur anyway in the interests of tax justice, is another potential option.[2] However it is organised, this exercise should be coordinated across Europe so that people in other indebted countries are also able to reclaim monies that should never have been paid (with debt audits established, where necessary, to determine the scale of illegitimate debt in each country). This is a better solution than the assumption by the European Stability Mechanism (ESM) of responsibility for some of the debt of Ireland and other countries – the ESM is funded by people living in Europe through their governments, so this would represent just another stage in the process of socialising private debt. DJA will work with like-minded organisations across Europe to advance our demands in this area, which will also include an insurance deposit scheme funded by the financial sector and which would be available to deal

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[1] This money has been spent on recapitalising six Irish banks to ensure that they can repay their debts as they come due. The €64 billion was raised from the National Pension Reserve Fund (€20.7 billion), the exchequer (€11.9 billion) and Government-issued IOUs or 'promissory notes' (€31.6 billion), most which were later converted into sovereign bonds.

[2] European member states lose about €1 trillion annually as a result of tax evasion and avoidance, far more than the €400 billion used for 'bailouts' around Europe (http://www.reuters.com/article/2013/04/12/us-eu-tax-vanrompuy-idUSBRE93B0KC20130412).

with *future* financial crises so as to avoid these burdens ever falling upon governments and peoples again.

European democracy

Our ability to pursue this justice agenda is hampered by the lack of democracy at the European level. European leaders are seeking to place large swathes of decision-making on economic policy beyond democratic debate and deliberation through the introduction of measures such as the Fiscal Treaty and related initiatives. At the same time, the architects of the crisis – financial institutions – enjoy privileged access to the corridors of power and will resist attempts to make them accept their responsibilities to pay for the crisis, as outlined above. Therefore, DJA will work with European groups and networks to promote greater transparency and democracy in European decision making and to ensure that people living in Europe, as opposed to the voices of corporate power, are better able to influence the design and implementation of economic policy, including in the area of debt justice. Furthermore, we will resist the imposition of inappropriate policy conditionalities as part of the Irish and other European countries' 'bail-outs', including the privatisation of public assets and the erosion of workers' rights.

Global justice

DJA does not believe that the restoration to ordinary people living in Ireland and elsewhere in Europe of the losses suffered during this crisis, and the implementation of measures to ensure no such crises recur, can simply involve a return to the economic model in place before the crisis broke. That model involved exploitation of people in the Global South (through, for example, unfair trade deals negotiated by the EU with African, Asian and Latin American countries) and environmentally unsustainable practices that, especially by accelerating global warming, again disproportionately damaged people living in the Global South. Debt justice for Ireland and Europe must go hand in hand with a programme for economic and climate justice for the Global South, and we will work with our partners in Europe and the Global South to advance this wider justice agenda. We will also listen and learn from those partners who have long endured their own debt crises and the imposition of unjust policy conditionalities from bodies like the IMF, and who have developed innovative and creative models of resistance that have much to teach us in our European struggles now.

For further information, go to www.notourdebt.ie