

DO WE NEED A PUBLIC DEBT? Restoring Economic Growth and Reducing Social Inequalities through Public Loans

By [Damien Millet](#) and [Eric Toussaint](#)

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The answer is yes.

A State must be able to contract loans in order to improve its population's living standards, for instance when it carries out major work of public utility and invests in renewable energies. These public loans could be used to move from an economy geared to the needs of car drivers to one that gives priority to public transport, to shut down nuclear plants and replace them with renewable sources of energy, to renovate, upgrade or build from scratch public buildings and social housing that would require less energy and be equipped with state-of-the-art facilities.

In any case, even though we definitely do not wish to stay in a capitalist economy, the economic dynamics of the system demands that in a macroeconomic perspective the surplus produced should be anticipated through monetary creation. Selling goods at a profit is only possible if there is more money around after than before production starts. A capitalist economy without debt does not make sense.¹ Particularly in times of recession, public spending (which alone can generate added collective wealth) depends on added tax revenues from the richer fringes of the population, on cancelling illegitimate debts and on contracting public loans under citizens' control.

The point is to define a transparent policy for public loans. The proposal we put forward is as follows:

1. the aim of the public loan must be a sustainable improvement in living conditions;
2. the public loan must part of a redistributive policy that reduces inequalities. Therefore we propose that financial institutions, corporations and very rich households be legally obliged to buy state bonds with either no interest or cost-of-living indexation, for amounts that are proportional to their incomes and their assets, while the other members of the population can buy public bonds with a guaranteed positive return (say 3%) higher than the current inflation rate. Thus if the annual inflation rate should reach 3%, the interest rate actually paid by the state would be 6%. Such measures of positive discrimination (similar to those used to fight racial oppression in the US, castes in India or gender-based inequalities) will make it possible to move towards more tax justice and a less unequal distribution of wealth.

Cancelling illegitimate debt is a necessary but insufficient condition. Other measures that improve the lot of the majority are essential if Europe is to come out of the crisis with better

prospects. The discussion is open.

Translated by Christine Pagnouille in collaboration with Vicki Briault

*Damien Millet (professor of mathematics, spoke-person for CADTM France www.cadtm.org) and **Eric Toussaint** (PhD in political sciences, president of CADTM Belgium, member of the Scientific board for ATTAC France). Damien Millet and Eric Toussaint recently edited *La Dette ou la Vie* (Aden-CADTM, 2011), which received the award for best political book in Liège in 2011.*

Latest book: Damien Millet & Éric Toussaint, *AAA, Audit, Annulation, Autre politique*, Le Seuil, Paris, 2012.

1 Jean-Marie Harribey, <http://www.cadtm.org/De-la-creation-monetaire-et-des>; Attac, « Le mystère de la chambre forte », *Le Piège de la dette publique, Comment s'en sortir ?*, Les Liens qui libèrent, 2011, p. 161-188.

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