No Solution to The Eurozone Crisis

October Summit Agreement Spells Disaster

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The agreement of the 26/27 October 2011 European summit meeting is unacceptable

The agreement made at dawn on the 27th October 2011 brings no solution to the eurozone crisis, neither to the banking crisis, the sovereign debt crisis or the euro crisis. The decisions taken do not solve any of the problems in an acceptable way, they only postpone them. CADTM considers this agreement unacceptable.

by **Pascal Franchet** , **Yorgos Mitralias** , **Griselda Pinero** , **Eric Toussaint** (CADTM Europe)

The heads of states, heads of governments, the leaders of the European commission (EC), the private banksters and the managing director of the the IMF met in Brussels in order to find a solution to the risk of serial bankruptcies among Europe's biggest banks, particularly French, Spanish, Greek, Italian, German, Portuguese and Belgian... Those who, before and after 2007 – 2008, multiplied their risk taking behaviors to make short term profits for their shareholders and to give marvelous bonuses to their directors and traders. Domestic and business loans being only a small part of their turnover : between 2 and 5 %. The massive support they have received from the states, the ECB (European Central Bank) or the Fed (Federal reserve Bank of the USA) has not been used to stimulate the productive economy, it has been diverted to more highly speculative activities. Private banks are financed for the short term at the same time as they take on medium and long term engagements : public or private bonds, commodity futures, currency swaps and positions on derivatives that are not under any public control. The bankruptcy of the Franco-Belgian bank Dexia at the beginning of this month of October 2011 is the direct result of these policies. The fear of an oncoming domino effect in Europe and north America weighed heavily on the meeting of the 26/27th October 2011.

The decision to give Greek bonds in bankers possession a 50% haircut, as opposed to the 21% cut agreed on the 21st July, had become inevitable since August following their 65% to 80% price fall on the secondary debt market. Although the state leaders announced they had imposed important sacrifices on the banks, as usual the banks are coming out well. This explains why for the time being, bank stock in particular and the financial markets in general have shown important upward movements.

The 27th October agreement is not a solution for the Greek people who are suffering the full effects of the crisis, aggravated by the austerity measures the government has inflicted on them. This operation is entirely managed by the creditors and is in conformity with their interests.

This debt reduction plan is a European version of the “Brady plans” that had such devastating effects on the developing countries during the eighties and nineties. The Brady plan (named after the US Treasury secretary at the time) involved debt restructuring by exchange of bonds, in the principal indebted countries that took part. These were Argentina, Brazil, Bulgaria, Dominican Republic, Ecuador, Jordan, Mexico, Nigeria, Panama, Peru, Philippines, Poland, Russia, Uruguay, Venezuela and Vietnam. At the time, Nicholas Brady had announced that the volume of the debts would be reduced by 30% (in fact, the reductions, when they did happen, were much less ; in some cases, and not the least, debts even increased) and the new bonds (Brady bonds) guarantied a fixed interest rate of around 6%, which was very favorable to the creditors. This also assured application of austerity measures dictated by the IMF and the World Bank. Today, under other latitudes the same logic provokes the same disasters. The Troika (ECB, EC, IMF) imposes endless austerity measures on the Greek, Irish and Portuguese people. If there is no reaction from their people in time, others will have the same : Spain, Belgium, France…

This plan cannot validly permit Greece to resolve its problems for two reasons :

1. the debt reduction is totally insufficient ;
2. the economic and social policies applied in accordance with the Troika demands will fragilize the country even more. This characterizes the odious nature of these financial agreements with Greece, any future loans in this framework and the restructuring of the previous debts.

Greece must make a choice between two options :

Throw in the towel and be again subject to the gauntlet of the Troika ;

Refuse the dictatorship of the markets and the Troika in suspending the payments and by proceeding to a debt audit so that the illegitimate part may be repudiated.

Other countries are, or soon will be, confronted with the same choice : Spain, Ireland, Italy, Portugal… This list is far from exhaustive. In any case, these same policies are applied, in differing degrees, all over the EU. These austerity plans must everywhere be refused and citizen controlled audits of public debt put int operation.

The events of 2007 – 2008 have not incited governments to imposing strict prudential rules. On the contrary, measures must be taken to prevent financial institutions, banks, insurance companies, pension and hedge funds from causing further damage. Public authorities, company directors directly, or complicity responsible for the stock market and banking Kraches must be brought to justice, it is urgent to expropriate the banks and put them to the service of the common good by nationalizing them under worker’s and citizen’s control. Not only must any form of indemnity for the shareholders be refused but they should also have there own wealth put to contribution to cover the cost of repairing the financial system. It is also necessary to repudiate the illegitimate claims that the private banks hold on public authorities. Of course a series of complementary measures must also be adopted : control the movements of capital, prohibit speculation, prohibit transactions going through tax havens, creation of taxes aimed at establishing social justice… In the European Union certain treaties, such as Maastricht and Lisbon must be repealed. It is also necessary to radically change the statutes of the ECB. Before the crisis gets to its worst it is high time to radically change direction. The CADTM supports, along with other organizations, the initiatives that have been taken in certain countries in favor of public debt audits under citizens control. The « Occupy Wall Street » movement has set a creative and emancipative ball into motion. It must be reinforced.

Translated by *Mike Krolikowski*

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