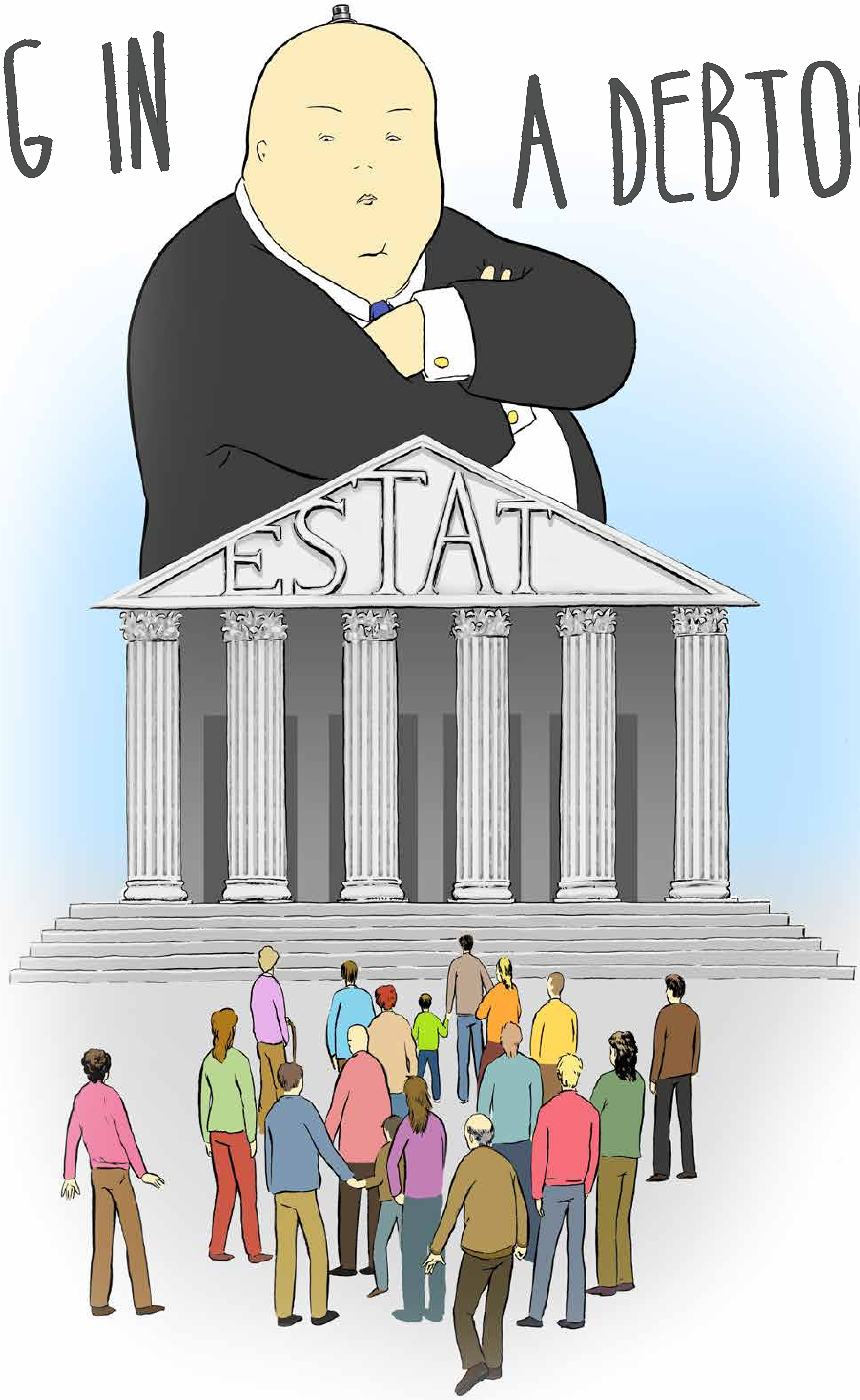
LIVING IN A DEBTOCRACY



This exhibition was created by the Citizen's Debt Audit Platform (PACD) "We don't owe, we won't pay!", with the support and participation of the Observatory on Debt in Globalization (ODG).

The PACD is a citizens' movement born in 2011, with the aim of holding a Citizens' Audit to demonstrate the illegitimacy of the debt. We consider any debt contracted by a government but never used for the benefit of its population, and any debt used to justify the application of austerity packages, to be illegitimate. The ultimate aim of the PACD is to generate the strength required to refuse to pay these illegitimate debts.

#NoDebemosNoPagamos ◆ @AuditCiudadana ◆ facebook.com/AuditoriaCiudadanaDeuda ◆ auditciudadana@gmail.com ◆ www.auditoriaciudadana.net

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Organized by: Plataforma Auditoria Ciutadana del Deute (No devem! No paguem!) · ODG Observatori del Deute en la Globalització

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THE GOOD LIFE?

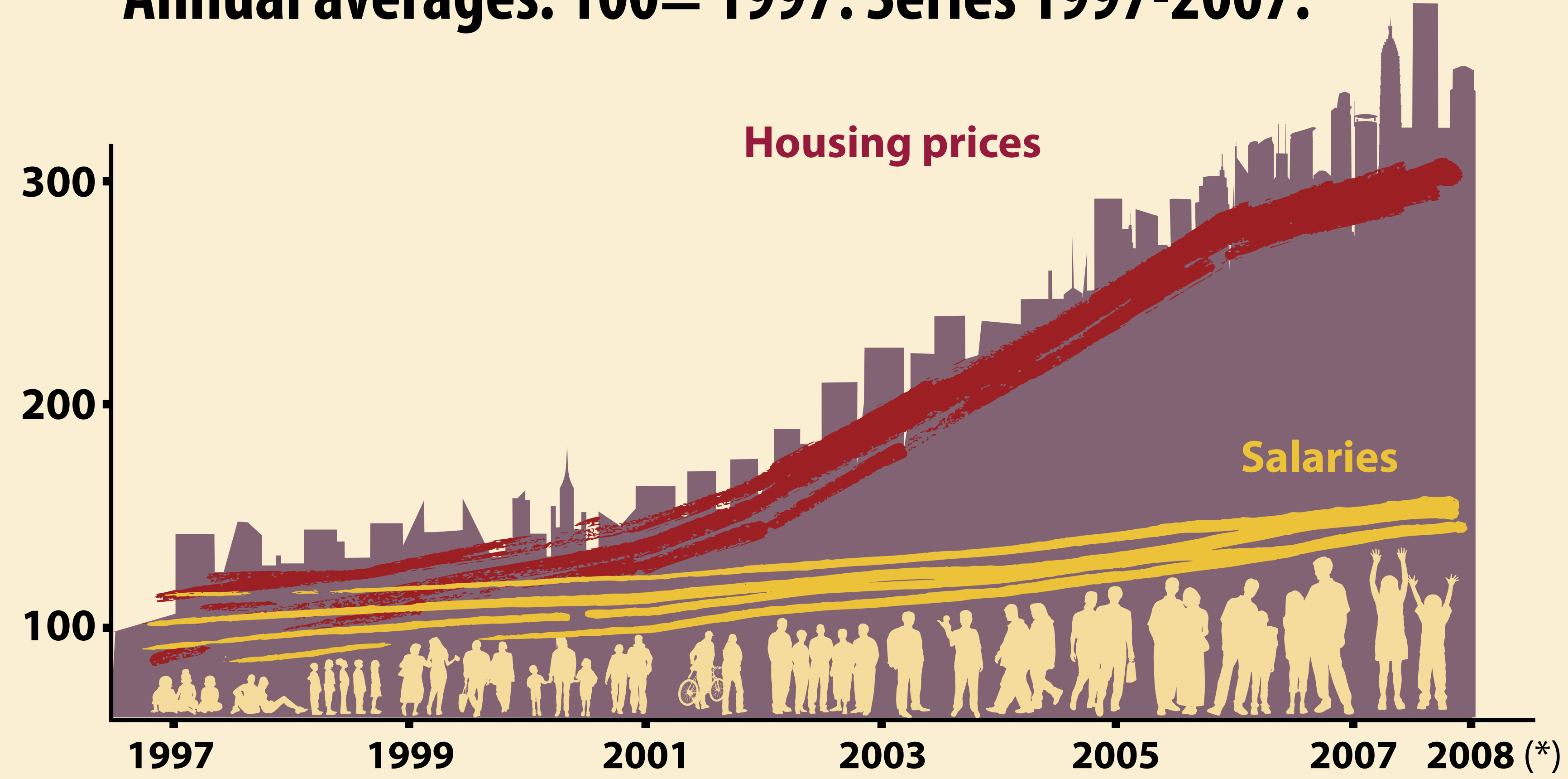
MORTGAGING OUR LIVES

They point to the high levels of family debt accumulated in the Spanish State and tell us we have lived outside our means.

Between 1996 and 2007, family debt in Spain increased by a factor of 5, principally because of the need to access the basic right to a home. In 2007 house purchases represented 80% of family credit. In the context of salary reductions and in the absence of public housing policies, recourse to loans becomes the only way many families can have a home.

Nevertheless, in 2008 only 50,1% of homes were indebted in some way, and the families with the highest incomes were more in debt than poor families. Furthermore, whilst lower income families principally contract debt in order to acquire principal home, richer families do it to invest in other real estate.

Housing prices and salaries.
Annual averages. 100= 1997. Series 1997-2007.



(*) Forecast. Source: Spanish Statistical Office (INE) and Ministry of Development.

Whilst the price of housing tripled between 1997 and 2008, salaries only increased by 50%.

THE BUBBLE BUSINESS?

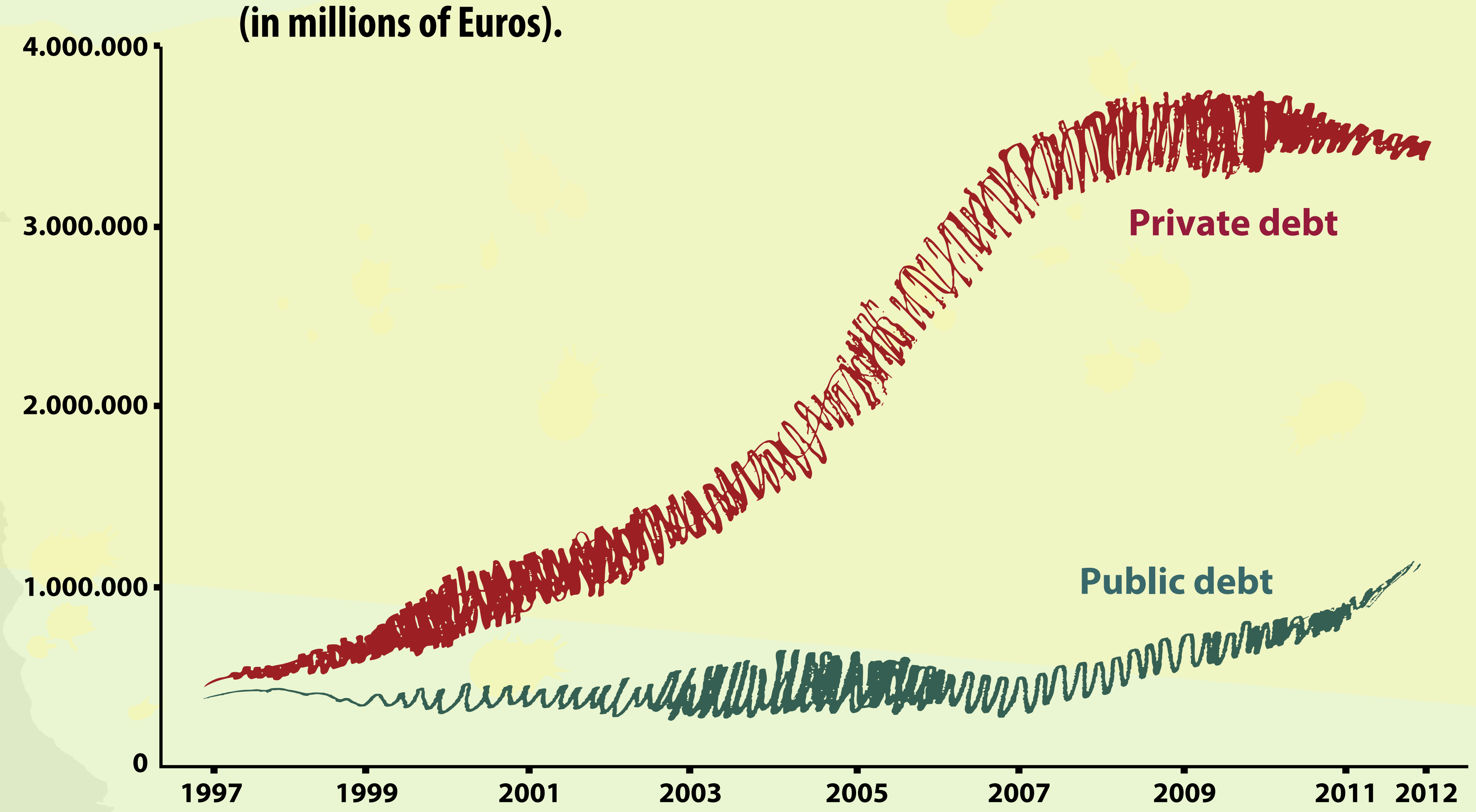
WITHOUT CREDIT THERE'S NO BUBBLE

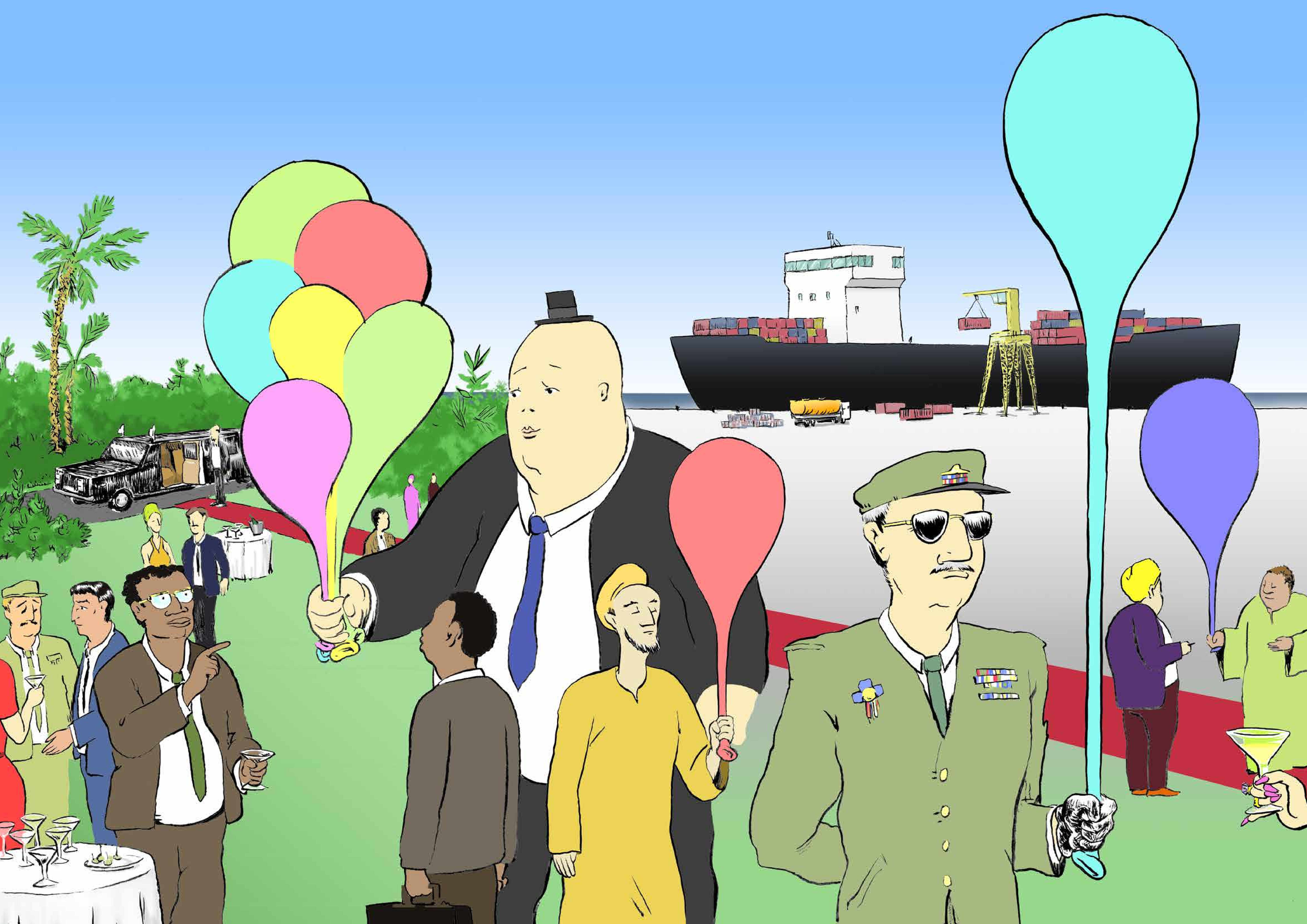
Between 1996 and 2007 bank debts multiplied by 24.5 and debt held by non-financial companies (particularly estate agents, construction companies, and multinationals) by 6.5.

Debts held by non-financial companies and banks have grown beyond those held by families or the public debt. In 2008 they made up over 60% of the total. Debt in the property sector in 2007 represented more than 40% of the debt of companies listed as non-financial.

Particularly since the introduction of the Euro, German, French, North American and British banks have been lending money at low interest rates to banks in Spain and other countries on the European periphery. These, in turn, lend the money to construction companies and estate agents. The key element in this banking and estate agent business was to offer easy credit to families to buy the properties, thus enabling the construction companies, estate agents and Spanish banks to return the credit. Without this family credit, the flats don't sell, the debts can't be paid, and the business circle can't be closed. Thus family debt is a key element for ensuring profits for companies and banks as the housing bubble expands.

Evolution of the Spanish debt 1997-2012.
(in millions of Euros).





"DEVELOPMENT" ON CREDIT?

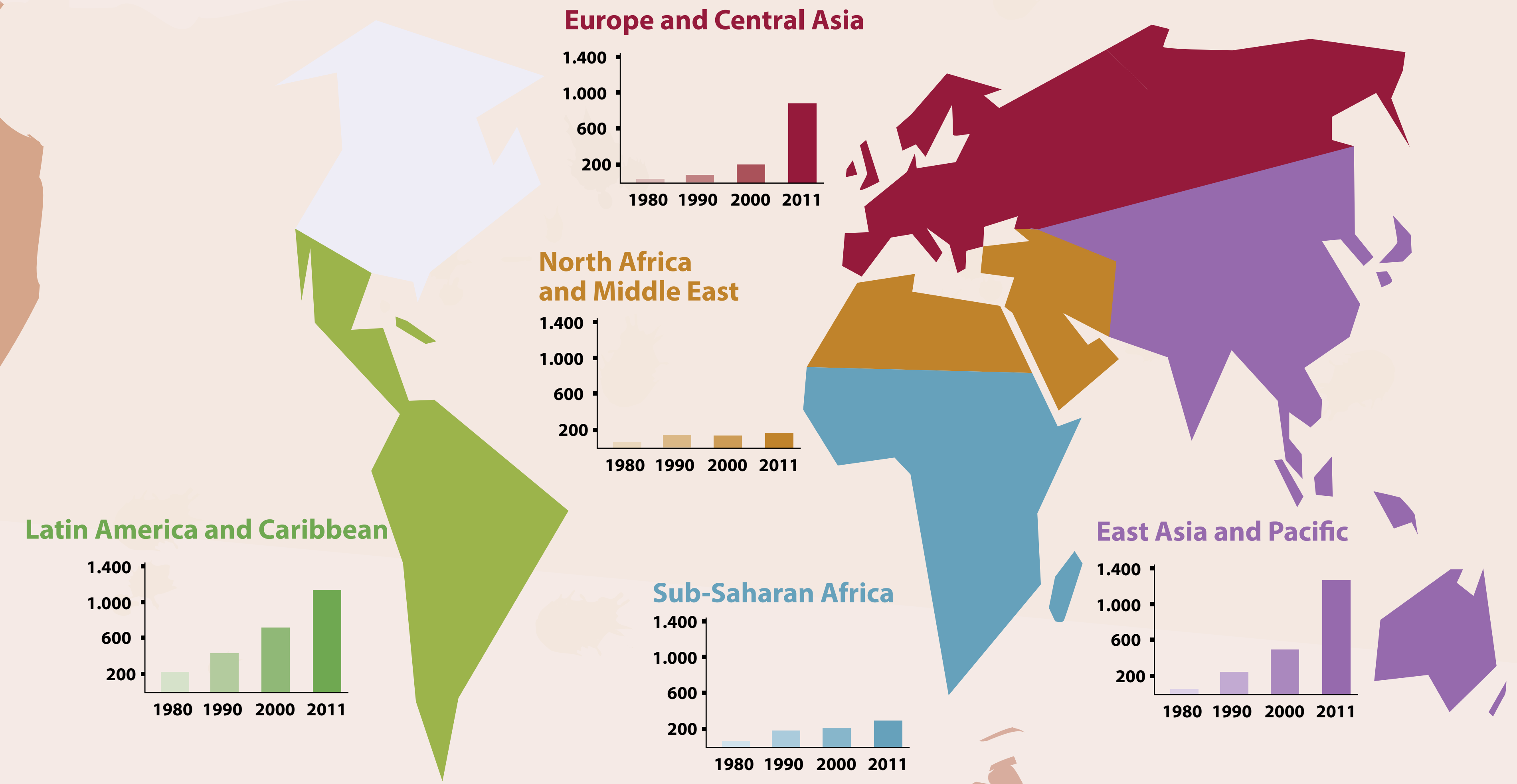
WE EXPORT DEBT TO THE BENEFIT OF MAJOR CORPORATIONS

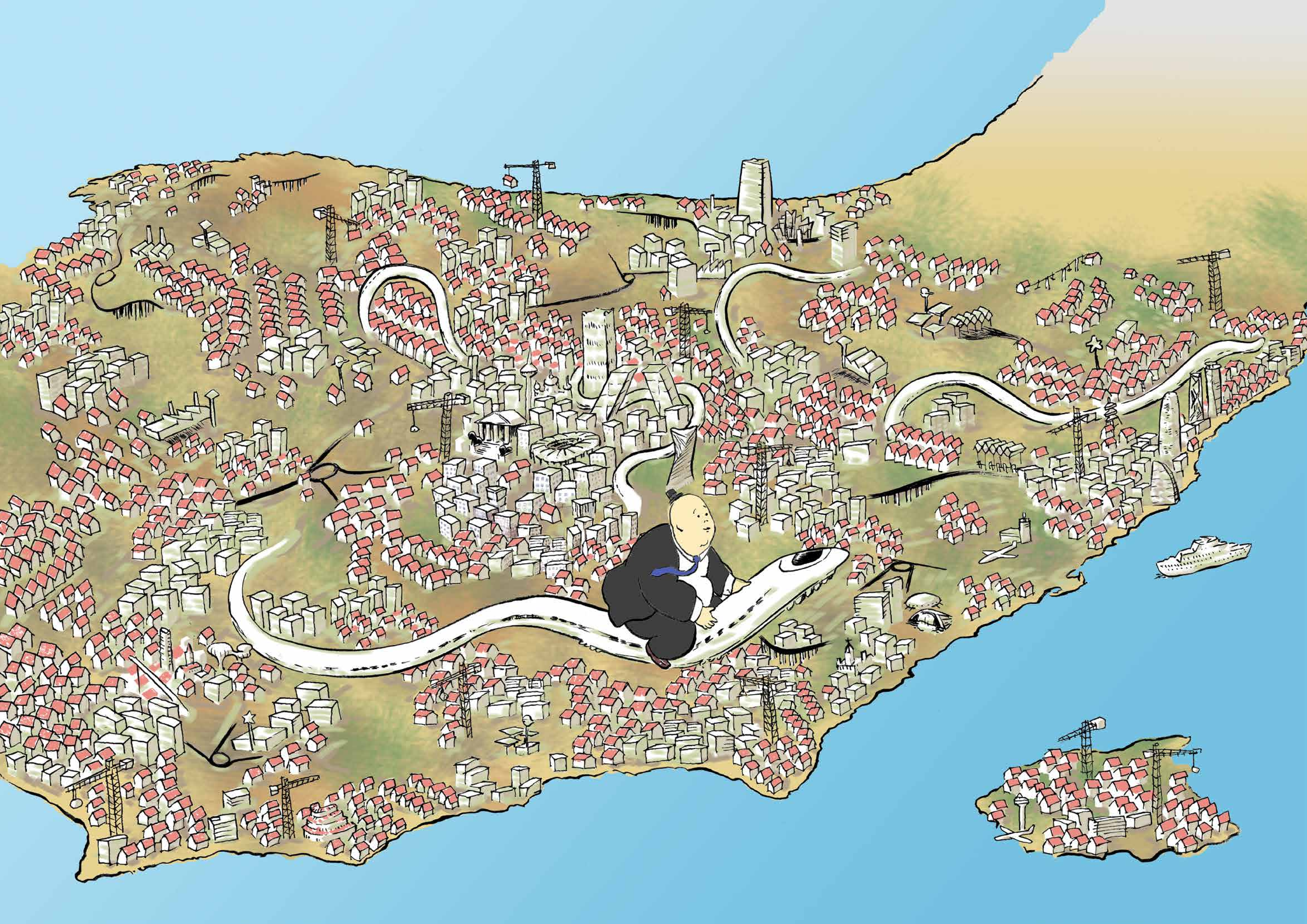
The Spanish government has promoted the expansion of Spanish companies in Latin America, Africa and Asia, calling it cooperation, and indebting poor countries.

As a continuation of colonialist logic, the Spanish government and Spanish banks, together with financial institutions such as the World Bank and the IMF, have promoted the indebting of Latin America, Africa and Asia in order to facilitate investment and trade by Spanish transnational corporations. Credit was offered to elites and governments in poor countries in exchange for their support for the entry of multinational corporations. These investments have not been used to benefit the majority of the population, however it is the population that is expected to assume the debts and the austerity measures that accompany them. Thus foreign debt and investments have lead to the violation of human rights and the plundering of natural resources in poor countries.

The neoliberal policies and austerity measures imposed by the IMF and other creditors in the face of the debt crisis in the global South are the cause of a profound social crisis and growing poverty. Meanwhile the debt has not ceased to increase, from 2.1 billion dollars in 2000 to 4.9 billion in 2011.

Evolution of foreign debt in poor countries by regions 1980-2011.
(in thousands of millions of Euros).





SPAIN AMONG THE CHAMPIONS?

SPAIN HAS ONE OF THE LOWEST TAX BURDENS IN EUROPE

Over the past two decades, the tax burden on the rich has been reduced and public funds have been misspent on useless investments that run into millions.

The Spanish State has more miles of high-speed train (AVE) lines than any other country in the world (1,926.25 miles). An expensive and inefficient network that does not meet the needs of the majority of the population. In 2010 around 45,000 million Euros had been spent on the High Speed Train (AVE); 3,829 million on the Madrid-Extremadura line (the Ministry of Health budget for 2014 was 1,907 million Euros). Meanwhile investment in local train networks has stopped. To this we can add huge military spending (32,000 million Euros committed to Special Armaments Programmes); an excessive network of airports; and mega infrastructures like the Santiago de Compostela City of Culture (400 million) or the Valencia Formula 1 Circuit (85 millions). All these investments have fattened the pockets of the construction oligopoly.

Ciudad Real Airport.
Cost: 1,100 million €

AVE Madrid-Extremadura.
Cost: 3,829 million €

Asturias Central University Hospital.
Cost: 1,700 million €

Huesca Palace of Congress.
Cost: 30 million €

This major infrastructure fever will be paid for by future generations, as a large part is paid for with public debt, not to mention the major environmental impact it will have.

Jaén Tramway.
Cost: 120 million €

Madrid Town Hall.
Cost: 500 million €

Formula 1 Track (Valencia).
Cost: 85 million €

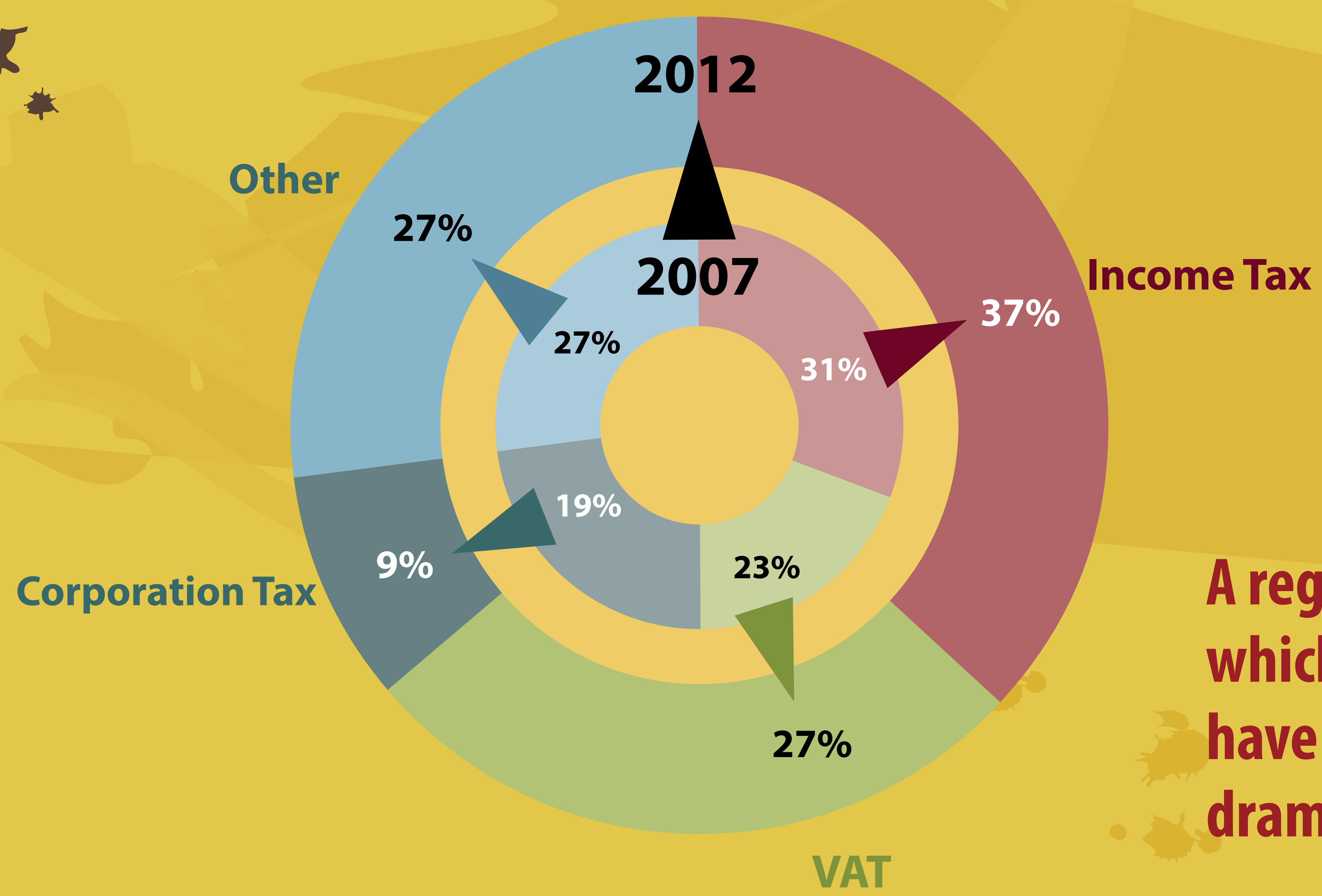
City of Culture (Galicia).
Cost: 400 million €

AND HOW DO WE PAY FOR ALL THIS?

THE DEBT SPIRAL AND THE CUTS

Taxation of companies and the highest incomes in the Spanish State has been reduced, while tax fraud and public debt have risen.

Origin of fiscal income 2007-2012.



They tell us the problem is excessive public spending, yet they rarely question the model of tax collection in which citizens provide 91% of revenue through income tax and VAT, while companies contribute only 9%. For example, between 1998 and 2012 business tax was reduced from 35% to 30%, while tax deductions and fiscal compensation mean that larger corporations may be paying only 10% or less. Furthermore, large companies are responsible for 72% of fiscal fraud in the Spanish State. If fiscal fraud on large fortunes were to be eliminated, the State could collect a further 44,000 million Euros per year.

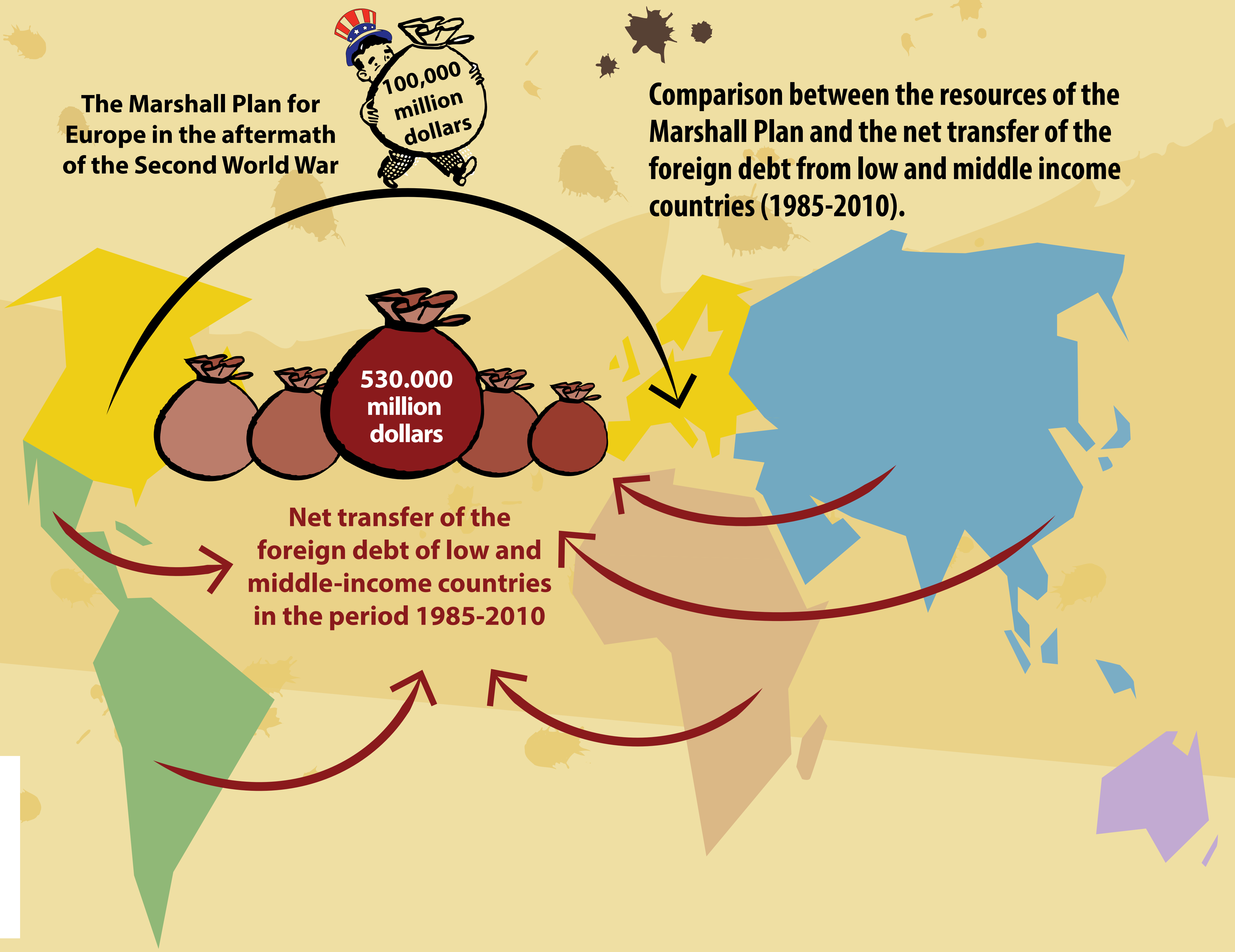
A regressive tax system, the bursting of the property bubble on which a lot of tax income was based, and rising unemployment have lead to a significant decrease in fiscal income and a dramatic rise in public debt.

HISTORY REPEATS ITSELF

Following the debt crisis in Latin America, Africa and Asia in the '80s and '90s, private lenders (The Paris Club) and public credit institutions (World Bank, IMF) imposed Structural Adjustment Plans (SAPs).

These plans included, among other measures, the privatisation of public companies, reductions to social spending, and the dismantling of the customs duty system and of protection for worker's rights and the environment. The Global South entered a "debt trap", as while public debt increased, so did the portion of public income that had to go towards the payment of interests on that debt, stifling the capacity governments had to act. The consequences of these plans were devastating: between 1980 and 1990 the number of people living in poverty grew by 67 million in Latin America and 125 million in Africa. Austerity plans in Europe are the equivalent of the SAPs applied in the Global South.

The difference between the money received by the South in the form of loans and what they have paid in interest (net transfer) is negative. This means that the debt has resulted in a transfer of resources from the South to the North.



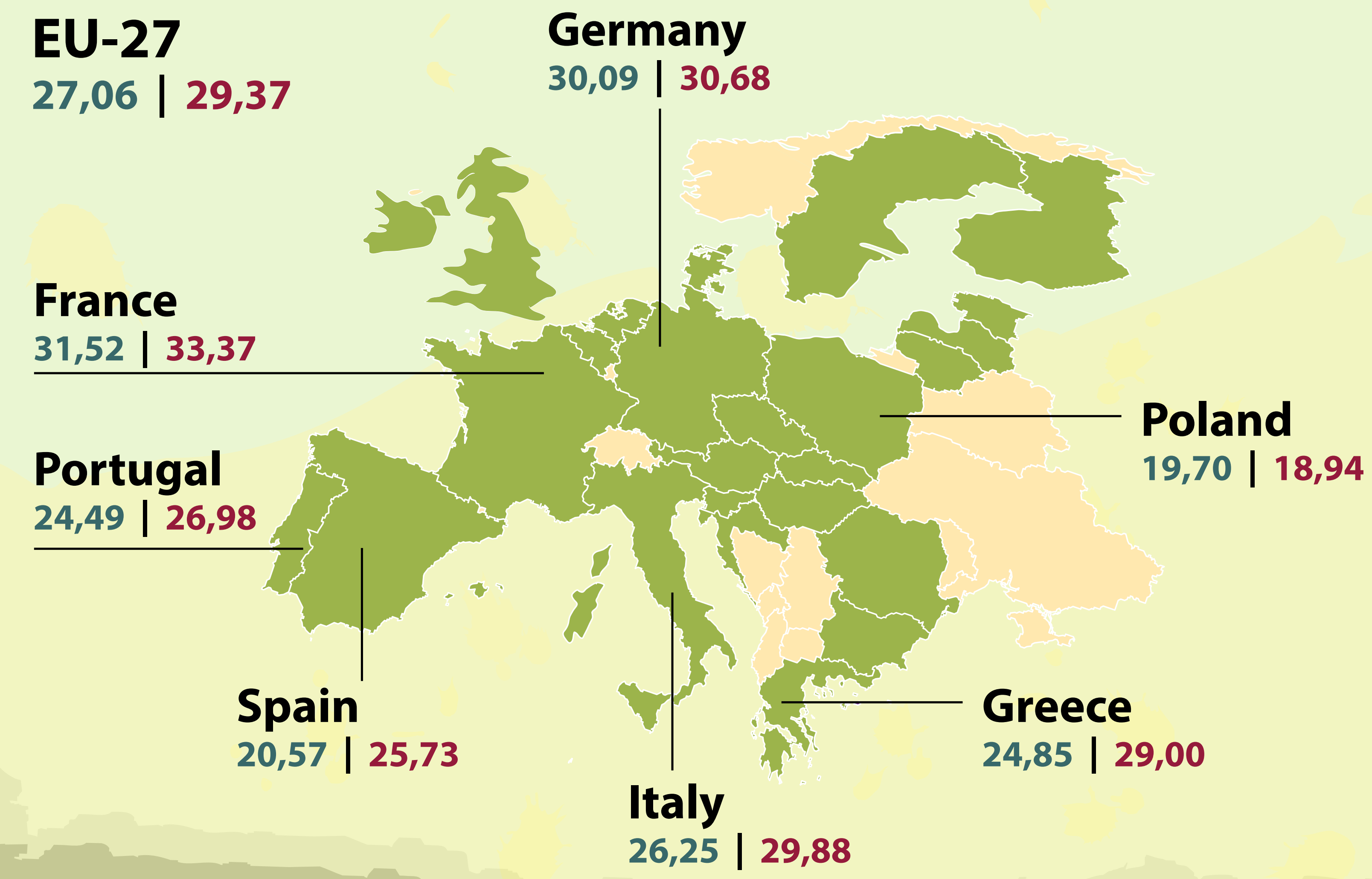
Comparison between the resources of the Marshall Plan and the net transfer of the foreign debt from low and middle income countries (1985-2010).

HAVE WE LIVED BEYOND OUR MEANS?

Social spending as a percentage of GDP in the Spanish State has been below the European average in past decades.

Despite having wanted to blame high social spending for the debt crisis, saying over and over again that we can't allow ourselves the public services we have, we know that Spain is at the bottom of the list of countries in terms of public money destined for social spending. While countries such as France and Germany destine more than 30% of their GDP to social spending, Spain spends around 20%. State finances were also relatively well balanced, as public income and spending were very similar, meaning that in 2007, the level of public debt in Spain as a portion of GDP (36%) was less than that of Germany (65%) and France (64%).

Social spending as a % of GDP. 2005 | 2010



Blaming excess social spending has been the preamble for justifying cuts to basic sectors such as education or health, which are having a notable impact on quality of life for many families.

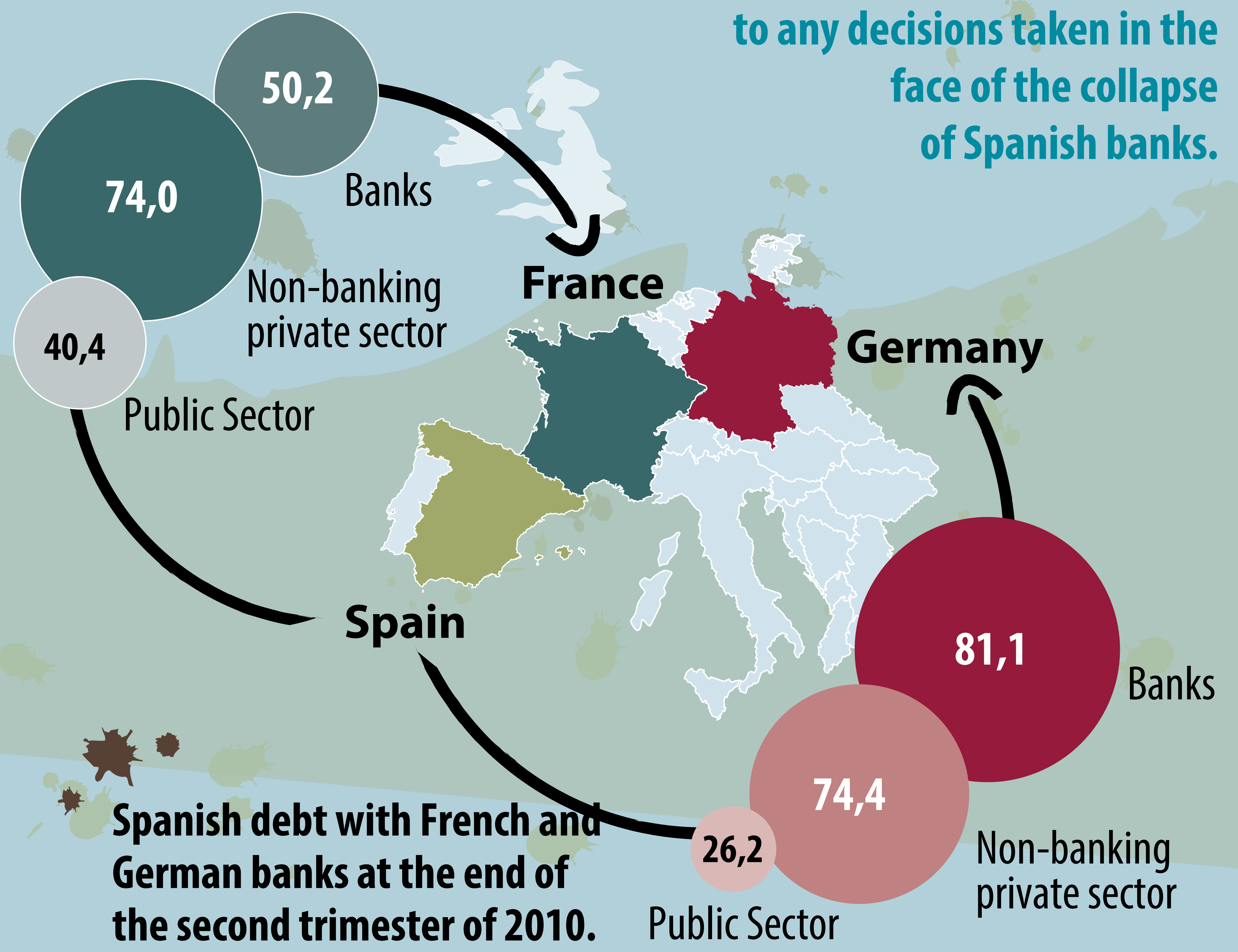
WHO PULLS THE STRINGS?

ECONOMIC POWER IN THE SHADOWS OF POLITICS

When the global financial crisis struck, the Spanish property bubble burst. The market was paralysed, putting investments at risk.

With the financial crisis , European banks that had lent money to the Spanish banking system were at risk of assuming major losses if Spanish banks were not bailed out. The principal creditors of the Spanish debt are, in order of importance, German and French banks, North American banks, banks from other countries in the Euro zone and British banks. For example, in 2010 the Spanish banking system owed 81,000 million dollars to German banks and 50,000 million to French banks. The connection between the European political class and the financial elites explains why the major European leaders have applied pressure, for public money to be used to rescue Spanish banks, and Spanish politicians have acquiesced, allowing debt repayments to the European banking system to continue.

International banks, particularly German and French, have lent large amounts to Spanish banks. They were therefore very vulnerable to any decisions taken in the face of the collapse of Spanish banks.



Spanish debt with French and German banks at the end of the second trimester of 2010.

(Thousands of millions of dollars).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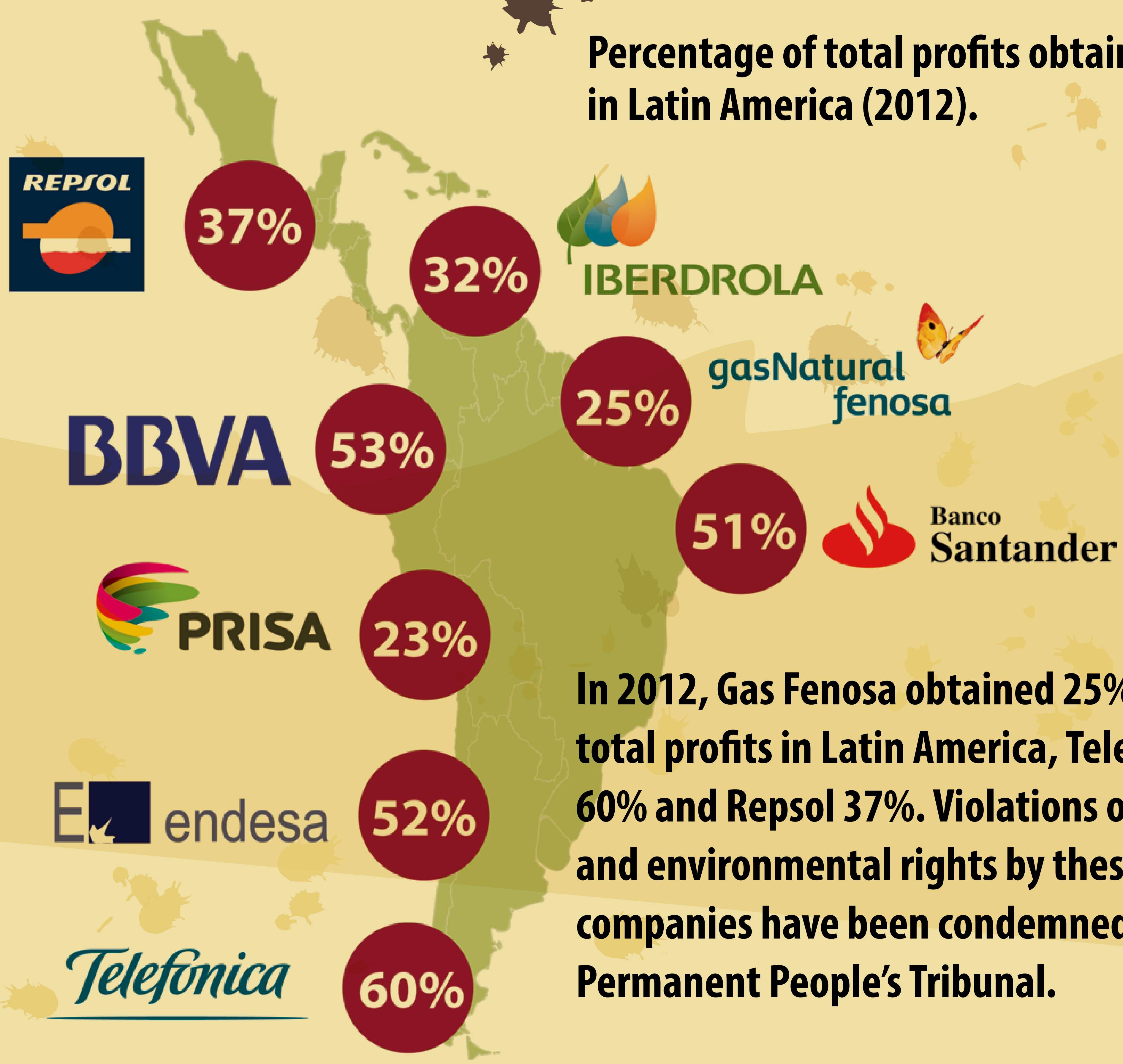
THE IMF IN THE SERVICE OF ECONOMIC POWER

Following the debt crisis in Latin America, the international financial institutions (IMF, World Bank) put pressure on governments to privatise public companies.

In exchange for refinancing Latin American governments' public debts, they obliged them to privatise key sectors such as telecommunications, national banks and energy. In this context, Spanish companies such as Telefónica, Unión Fenosa, Endesa, Iberdrola, Repsol YPF, Gas Natural, Banco Santander or BBVA entered the Latin American market, taking advantage of the favourable conditions in which they bought up these companies, and of low labour costs, less strict environmental regulations and agreements with governments enabling them to pay less taxes. The consequences of privatisation for the peoples of Latin America have included very high prices for basic services, the sacking of workers, over exploitation of natural resources, and direct violations of human and environmental rights.

Percentage of total profits obtained in Latin America (2012).



In 2012, Gas Fenosa obtained 25% of their total profits in Latin America, Telefónica 60% and Repsol 37%. Violations of human and environmental rights by these companies have been condemned before the Permanent People's Tribunal.

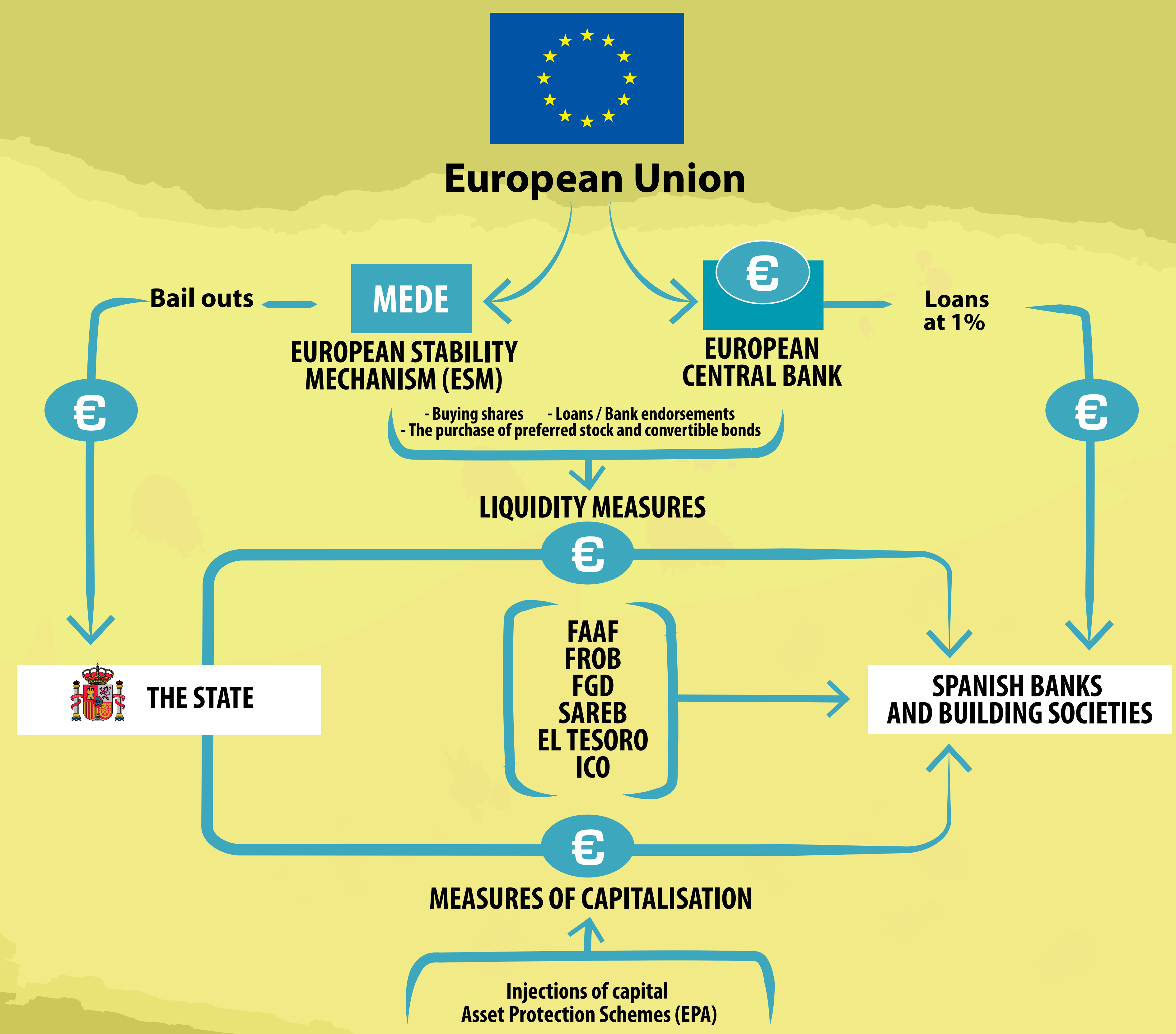
Source: RETS

IS IT BETTER TO BEG THAN TO STEAL?

THE MULTIMILLIONAIRE BAILS OUT THE BANKS

Faced with the collapse of the financial system, the Spanish Government, without prior consultation with the citizenry, decided to bail out the banks.

Insisting that it was essential to bail out the banks, because they feared the consequences of an all-out collapse, successive governments have justified what amounts to a gift to the banks of 1.4 billion Euros (1.4 times what is produced in the Spanish State in a year).Through more or less complex mechanisms, such as the Financial Assets Acquisition Fund (FAAF), the Fund for Orderly Bank Restructuring (FROB) or the Company for the Management of Assets proceeding from Restructuring of the Banking System (SAREB), two things were made possible: firstly, that the banks could face the debt they had among themselves, but particularly with the European banks, and secondly, housing prices could be kept high, so the situation did not get worse.



Although the banks were rescued with public money, the negotiations did not include the requirement that they continue to lend to small and medium-sized businesses, many of which have had to close, nor were they forbidden from evicting families in economic trouble, nor obliged to rent empty properties as social housing.

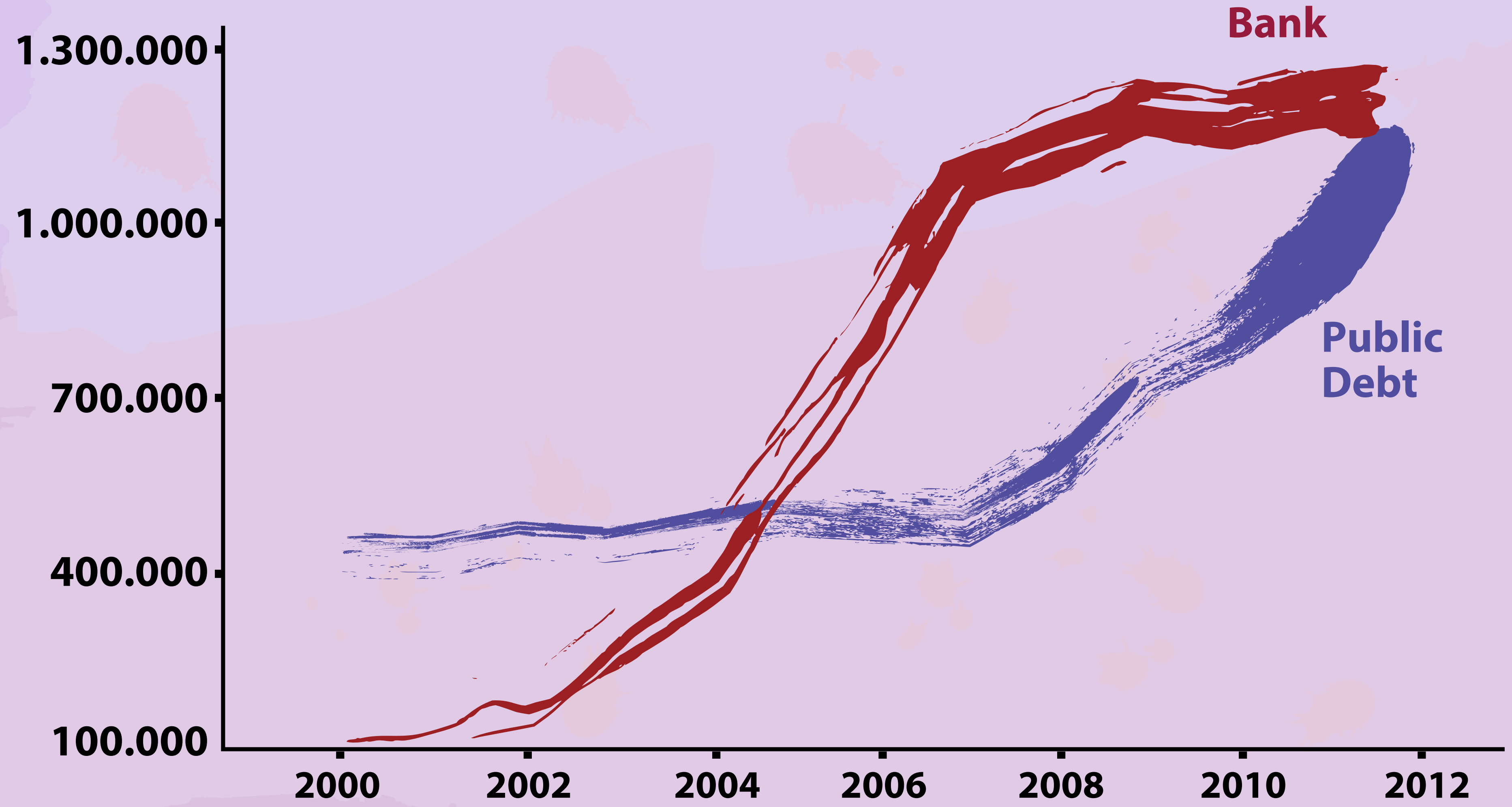
IT IS NOT OUR DEBT

THE TRANSFORMATION OF PRIVATE DEBT INTO PUBLIC DEBT

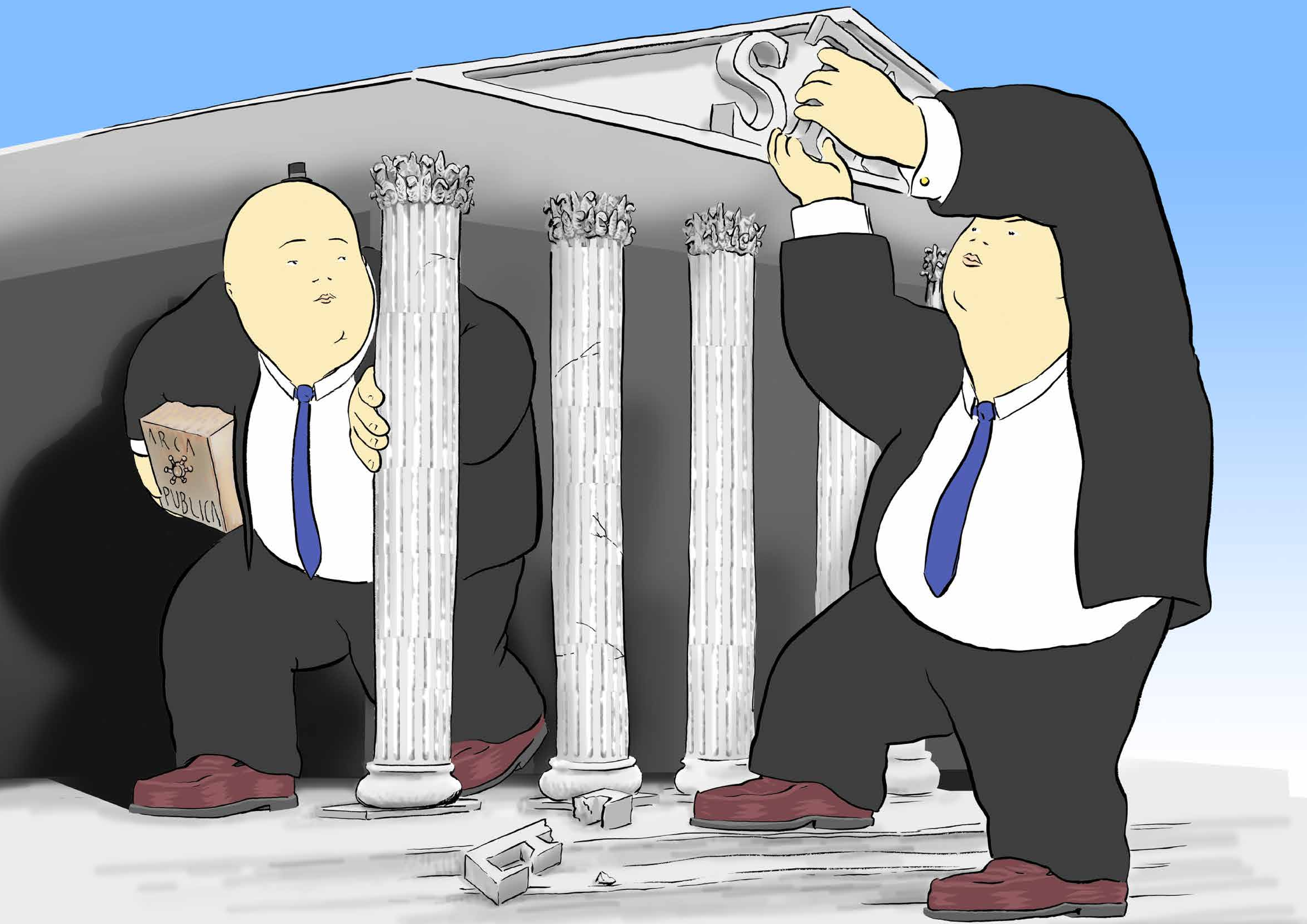
The consequences of the bail out of the banks on public finances have been devastating, and they have mortgaged the country's political and social future.

The media have attempted to transmit the idea that the high level of public debt lead to the crisis, using this to justify the need to reduce social spending, however, the reality is that the increase in public debt has been a consequence, rather than the cause of the crisis. Part of the aid to the banks has already been paid out, and it is calculated that, to date, this has increased the State's public debt by 64,262,000 million Euros. However, there are also payments in the form of indirect aid, through which the State has underwritten the banks when they have taken out loans, meaning that when the banks can't pay back their debts, the State will have to pay them. It is calculated that this type of aid amounts to 1,295,547 million Euros (129% of GDP), that could become public debt.

Evolution of the public debt compared to the debt of the banks (2000-2012). (Millions of Euros)



The opacity with which the bail out has been handled has meant that a large part of the population is unaware of the true magnitude of the public resources that have been dedicated to saving the banks.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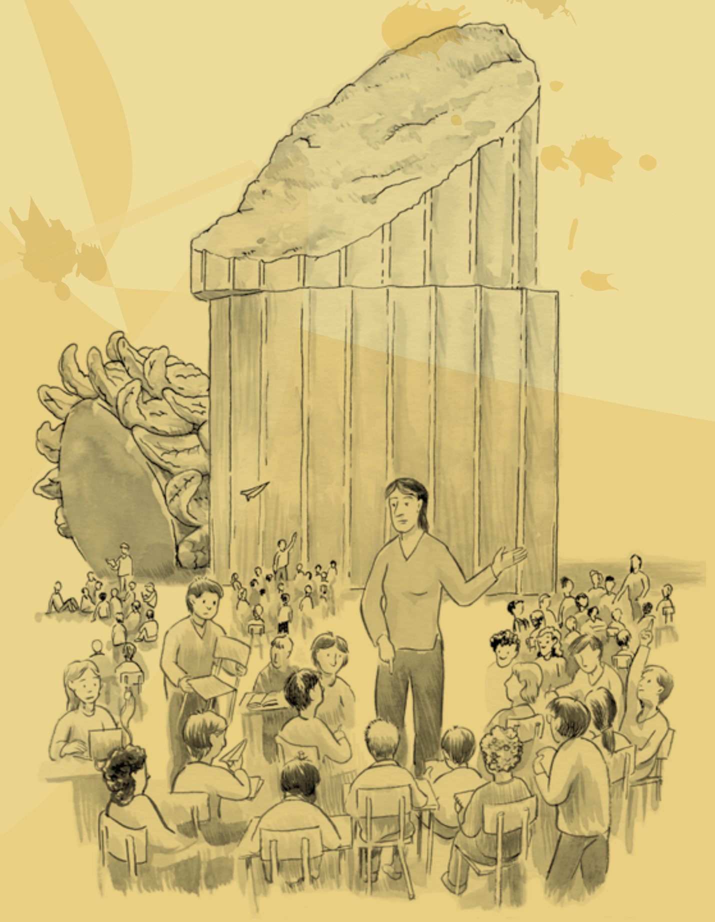
THE IMPACT OF LIVING IN A DEBTOCRACY

HOW THE DEBT CRISIS AFFECTS OUR EVERYDAY LIVES

Debt payments absorb ever more public funds, leading to cuts in the most basic social services. Debt payments, including interest and maturities, represented around 19% of Spanish GDP in 2013.

To compensate for the rising cost of interest and debt repayments, and maintain the levels of deficit required by Europe, the Spanish government has executed a series of cuts to social spending.

The cuts have been accompanied by a deepening of the neoliberal model, meaning privatisations and the commercialisation of social rights.



Between 2010 and 2014 education cuts accumulated 7,298 million Euros, meaning a drop of 16.7% to investments in education over 4 years.

Furthermore the pension reform will mean a cut of 33,000 million Euros between 2014 and 2023 (810 million in 2014), as well as limiting the revaluation of pensions to 0.25%, putting them below probable increases in living costs.

For 2014 the Spanish government foresees cuts of 35.6% at the Ministry of Health, Social Services and Equality, to which we must add cuts and privatisations carried out by the different regional governments.

THE DEBT ABOVE ALL

HOW DO THEY GUARANTEE PAYMENT OF THE DEBT AT THE COST OF OUR SOCIAL AND CIVIL RIGHTS?

In August 2011 the PP and PSOE agreed on an express reform of the Spanish Constitution, so often presented as being set in stone, in order to guarantee debt payments over and above any other social spending or investment. The State administers all its repressive force to comply with this new order: the debtocracy.

While Article 47 of the Constitution guarantees the right to dignified and adequate housing, the new Article 135 of the same obliges debt payments, and compliance with the conditions agreed with the Troika (including the bail out of the banks), over and above all else. Thus the government will prioritise the banks as protected by Troika over the right to housing and the welfare of thousands of citizens. According to the PAH (Platform for those affected by the mortgage crisis) and the Observatory on Economic Social and Cultural Rights (ODESC), there have been 244,278 evictions between 2008 and 2012 (and 415,117 foreclosures).

The Labour reform, also agreed with the Troika, has been shown, as many of us expressed at the time, to be completely useless at fighting unemployment, condemning Spain's close to 6 million unemployed and leaving workers extremely vulnerable.

Faced with increasing protest over growing precarity, unemployment, evictions, poverty and the privatisation of basic rights, the government has responded by increasing repression and limiting civil rights. The so-called Citizens (in)Security Law penalises civil disobedience, and forms of protest that have become common in recent years. The use of baton rounds and police brutality in the repression of protest or whilst carrying out evictions are two examples of this growing repression. Whilst they defend the Constitution tooth and nail when it comes to paying the debt, they don't hesitate to resort to repression and police brutality, violating human, economic, social and cultural rights, including the civil rights recognised by that same Constitution.

ALTERNATIVES

In addition to the struggle against the debt dictatorship and its impacts in the form of violations of economic, social and cultural rights, we need to work for the construction of alternatives to the debtocracy.

The injustice, lack of democracy, growing inequalities and the destruction of the environment generated by the capitalist system, leave no other option than to seek an alternative that means real social transformation. We have to begin to walk towards a new social, political and economic model based on environmental sustainability and social justice and control by the citizens for the citizens.

This new society towards which we wish to advance will be dynamic, participative, conducive to collective betterment and geared towards the common good. It must emerge from decentralised processes coordinated between different social movements and popular classes, on equal terms. The networking and exchange of ideas between alternative projects will be what allows the construction of the road towards a more just and sustainable society.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RACIA

CITIZEN'S AUDIT

On this road, in the search for social transformation, the Citizen's Debt Audit Platform (PACD) "We don't owe, we won't pay!" proposes a change of paradigms, as an integral part of this collective struggle, and calls for the illegitimate debt NOT to be paid.

From the PACD we want to contribute to the promotion of a change of economic and social model. We understand that the economic model cannot be based on debt, because debt generates deep injustices. We defend the sovereignty of the people through spaces for learning, based on the unconditional right to training; the methodology of participative democracy; and offering (or facilitating) tools for empowerment with which to fight for transparency, democracy, sustainability and social justice.

In a world in which debt is one of the instruments that makes people subject to the dictatorship of capital, the PACD proposes the need to collectively build processes that demonstrate the illegitimacy of the debt and the injustices generated by prioritising its payment over all else. Among these processes we propose the promotion of Citizens' Audits, as well as enabling people to understand all the details of how we got to this point, these audits enrich the debate about the social model we want to build. The citizens audits are open, collective, permanent, decentralised and empowering processes that must also serve to attribute responsibility and decide, all together, what part of the debt we consider to be illegitimate and therefore refuse to pay.

The experiences from the South show that this is the only real, active way to break with the current system.