The austerity machine

HOW IT GOT STARTED, AND HOW IT MIGHT BE STOPPED...

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A world fuelled by debt

Cuts and privatisation are being rolled out by governments as a response to supposed debt crises in Britain, Europe and beyond.

People who support these so-called austerity policies claim that cutting government spending, privatising public services, and lowering taxes for business and the rich will result in economic growth as the private sector fills the gaps left behind by the public sector.

As opposition to those policies grows, the government assures people that in the long run the economy will improve. We're told it's in everyone's best interests; "we're all in this together".

History tells a different story

Austerity policies aren't new. They are part of a set of policies that have been imposed on countries around the world for decades. Where they have been implemented, they have had similar impacts. Rather than the economy growing in a way which benefits everyone, austerity policies have taken wealth away from ordinary people and concentrated it in the hands of wealthy elites.

This booklet looks at the story of austerity and its history around the world. It shows how it has been imposed. It asks why, when austerity has failed repeatedly to solve financial crises, it continues to be promoted as a 'solution'.

It also looks at how people have resisted these policies, in many cases successfully, and struggled to build alternatives that hold promise for everybody.

> "What you call austerity is what I might call efficiency"
>
> David Cameron 2012

> "Austerity has failed. It has failed in the UK and the eurozone. Its failure was predictable and, by some at least, predicted."
>
> Martin Wolf, Financial Times

PhotoDisc

How could things be different?

What if...

■ Workers set the minimum 'living wage'

Imagine if workers got to define their minimum wage by working out what it costs them to meet their living requirements, like housing, food, transport and healthcare, and forcing companies to guarantee all workers receive this instead of forcing down wages to enhance profits.

■ Countries develop trade agreements based on solidarity

Imagine if trade deals helped promote equality between countries, encouraged a more environmentally friendly way of exchanging goods, and ensured good levels of education and healthcare for all.

■ Governments use taxes to redistribute wealth

Imagine if the rich paid higher levels of tax so that the government could provide quality public services, like healthcare and childcare, and decent benefits for those on lower incomes or without work, in order to make society more equal.

■ Banks are forced to work for people's needs

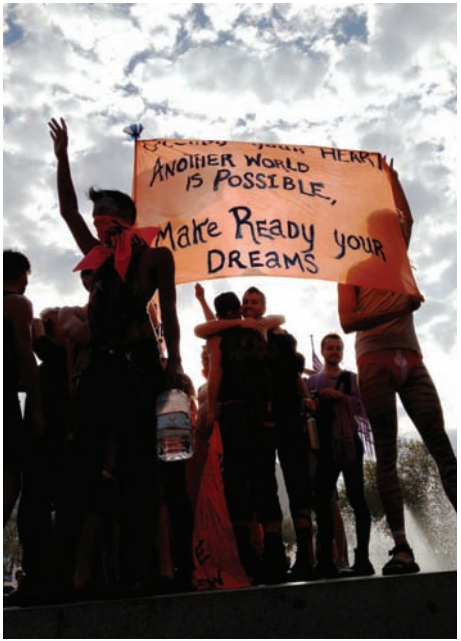
Imagine if tax havens were closed down so that everyone contributed a fairer share of tax, unfair debts were wiped out, financial markets were properly regulated, and governments had access to sufficient money to fund decent public services.

■ People take back control over their food

Imagine if governments helped communities, workplaces and schools to employ people to grow organic fruit and vegetables – creating jobs, letting people pay reasonable prices for food, and having certainty about where it comes from.

You don't have to imagine these things – because they are already happening, or beginning to happen, somewhere in the world. These are just some examples of real, creative and effective solutions which put people before profit; from the Asia Floor Wage to the Bolivarian Alliance for the Americas, from Sweden's traditional public services model to attempts being made to cancel debts, regulate finance and support tax justice in Iceland, Ecuador and Zambia, and Cuba's system of community food production.

None of these systems are perfect. There are many ups and downs in the struggle for a better world. But change has happened and is still happening... and people are fighting for more.



Eric Wagner/Flickr

Activists from Occupy San Francisco, October 2011.

History repeating

One of the main causes of the recent financial crisis is reckless lending by big banks. Today, while the banks are again paying massive bonuses, the poorest people in Europe are paying the highest price for a crisis which they had no responsibility in creating. We'll go on to look more at how this pattern has been repeated over and over again across the world, supposedly in response to financial crises.

But first, to understand the context in which this was allowed to happen we need to start by looking back a few decades...

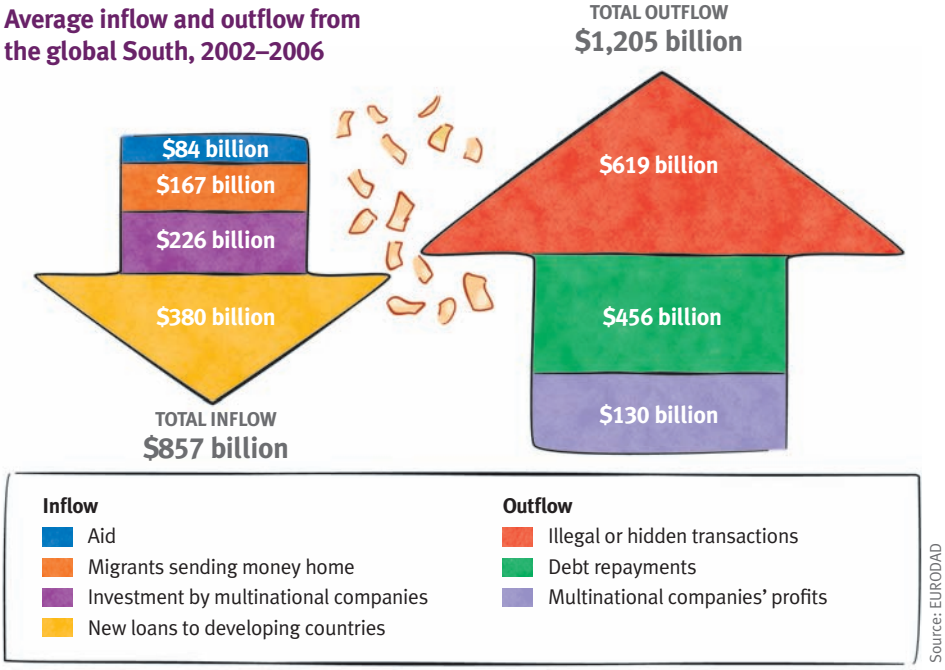
Trading away the wealth of the South

Not so long ago, many European countries had empires. Under empire, colonies became very poor – despite having vast resources – and imperial countries became incredibly rich. This is largely because colonies were forced to trade with their imperial power on terms that benefited the rich world, rather than the colony.

Countries like Britain put laws in place which meant that colonies like India were unable to produce high-value manufactured goods. India was famous for high-quality textiles until it was forced to stop and just produce cotton. This system helped to set up the massive inequality between the global North and South that we see today.

As empires crumbled in the face of huge resistance across the world, independent states emerged. But the trade system was still designed to work in favour of former colonial powers. Countries in Asia, Africa and Latin America continued to provide cheap basic goods and raw materials to Europe and North America, where higher value products were manufactured and sold.

Average inflow and outflow from the global South, 2002–2006



Source: EURODAD

The Third World fights back

To overcome these unfair terms of trade, some poorer countries experimented with different policies. For instance, they reformed land ownership to prevent the vast majority of land being owned by a handful of families. To make countries more productive, governments promoted their own manufactured products rather than importing them, and initially protected these new industries from established foreign competition.

In the early 1970s, these countries came together to demand a new set of policies to break the power of First World countries over their economies. It was called the New International Economic Order and amongst other things it called for:

- A fairer price for raw materials.
- Better transfer of technologies from rich to poor worlds.
- The trade system to give preferences to manufactured products made in Southern countries to help them diversify their economies.
- Rules to control multinational corporations and prevent them draining wealth from the South.
- More productive funds to help develop the South and less speculation by Northern banks.

But the plan was never implemented. The richest countries came together in the G6 (today the G8) to ensure that they maintained control of the world and could access the products they needed at the price they wanted to pay, to allow their own economies to prosper, whatever the cost.

For most Southern countries, things were about to get much worse.

Do these policies really work?

Look at East Asia. In 1958 one East Asian country attempted to export its first passenger car to the United States. It was a complete flop. Many economists said the country should stick to exporting silk, in which they said it had a 'comparative advantage'. The country ignored this advice and continued to invest public money in the company and in research and development, and to limit imports of foreign cars. The country was Japan, the company Toyota.

A note on terms

There are many ways of describing the massive divisions of wealth that exist between countries. In the Cold War, rich countries were called the First World, the Soviet-aligned world was called the Second World and the rest was called the **Third World**. This mimicked the language of the French Revolution wherein the ordinary people of what was known as the 'Third Estate' initiated a revolution over other classes. Today, mainstream press often refers to the Developed and **Developing World**, but this presents the world as lower down an inevitable path towards rich world-type capitalist societies. Anti-poverty groups refer to the global North and global South which we will mainly use here, or Minority and **Majority World** (referring to the fact that the majority of the world's population live in the world's poorer countries). Increasingly all of these distinctions are being broken down by rapid economic growth in Southern countries, recession-hit Northern countries and the growth of a super-elite that bestrides the world – the richest '1%'.

A revolutionary new economic system

The late seventies saw the development of a new dominant economic system, called 'neoliberalism'. Such was the success of this project that many now find it hard to imagine an alternative to it. Geographer and anthropologist David Harvey argues that "Future historians may well look upon the years 1978–80 as a revolutionary turning-point in the world's social and economic history".

The basic idea of neoliberalism is that human advancement is best promoted by liberating private enterprise from any restrictions – creating a 'free market' through deregulation (removing laws which affect how the market can operate), and reducing public services, substituting them with privatisation (ensuring the market has access to all areas of the economy).

This new system claimed that the 'free market' would automatically be the most efficient, and generate the most wealth. These ideas had occupied the fringe of economic thought for a long time, but they came to the fore as Margaret Thatcher and Ronald Reagan were elected in Britain and the US respectively.

This economic theory did not spread around the world by chance, in many cases the US and UK used economic and military power to enforce it.

Economic enforcement: the debt crisis

Throughout the 1970s, Western banks went on a lending spree – lending masses of money to Southern countries at low rates of interest. This lending was encouraged by Western governments, who saw it as a useful way of getting Southern countries to keep exporting raw materials and low-value products at cut-price rates.

In many cases money was lent to regimes that used the money to pay for projects that were harmful to human rights and the environment, including buying weapons or constructing useless 'vanity' projects – from palaces in the Congolese jungle to nuclear power plants that never produced a watt of electricity.

> " There is no alternative"
>
> Margaret Thatcher

Military enforcement: Chile & Iraq

The CIA and the US Secretary of State backed the 1973 coup by General Pinochet against the elected president of Chile, Salvador Allende. Pinochet violently repressed the opposition and, under the advice of the US educated economists, restructured the economy as a 'free market' system.

The mass privatisation of public services imposed in Iraq 30 years later, by US-led 'Operation Iraqi Freedom', along with strict regulations on trade union activity, created an environment more open to 'free enterprise'. In both of these cases the US and other powerful economies benefited from access to these markets, most obviously where US corporations were responsible for the privatisation of public services.

> “ Bad ideas flourish because they are in powerful people’s interests”
>
> Paul Krugman, economist

In the late 1970s, inflation began to increase in the West. Inflation is bad for lenders – it means the money they lent out is worth less, so they will make less money when it’s repaid. Interest rates in the US were hiked to protect the lenders’ profit –in full knowledge that it would cause the debts of Southern countries to balloon.

Suddenly this debt became the main obstacle to the development of the South, as countries were forced to spend large parts of government revenue on debt repayments instead of public services like education or healthcare.

In 1982, Mexico announced it could no longer pay its huge debt – it defaulted. Fearing other countries would do the same, Western governments and lenders like the International Monetary Fund, started making new loans to ensure these countries could repay the old ones. They essentially bailed out the banks by ensuring they didn’t suffer the huge losses they would be liable for if the countries they had lent to defaulted on their loans.

ABC News

ABC News reports on the Mexican debt crisis, 20 August 1982.

But these new loans weren’t without conditions. This was a perfect opportunity to force the policies of neoliberalism on to countries being crippled by debt. In order to qualify for new loans, countries like Mexico had to implement a raft of ‘structural adjustment’ policies – policies we now know as austerity. These policies meant that the borrowing countries’ economies stopped growing. Their economies were forced to ‘open up’ to the global economic programme being promoted by the US and its allies, but their economies got weaker and their debts got bigger.

The new world order

Third World countries were now told to pay their debts and conform to structural adjustment policies in exchange for new loans – however socially damaging they were.

Some countries, like Cuba and later Ecuador and Burkina Faso, stood up for the idea of collectively repudiating the debt – simply refusing to pay it. But by playing off Southern countries against one another and by creating new institutions and laws, the North won out.

The myth of freedom

There is a myth that this new economy allowed the private sector to flourish with minimal interference from governments or the law. In fact, the 'global economy' saw thousands of new treaties, laws and regulations established, governed by a powerful set of institutions. These new laws and institutions strongly protected the 'rights' of private capital:

- **The International Monetary Fund (IMF) and World Bank** – were institutions formed in 1944, but took on a powerful new role in the 1980s. They not only became major lenders in their own right, they were looked to by other lenders (states and private sector) as having the last word in whether countries should be supported. To get this golden seal of approval, states needed to adopt the sorts of policies laid out below.
- **The World Trade Organisation (WTO)** – established in 1995, from an earlier agreement: the General Agreement on Tariffs and Trade (GATT). The WTO's purpose was to remove restrictions on free trade and ensure states didn't go back on agreements to open up their economies to foreign trade. Many protested that the WTO was essentially about removing democratic control over economies (in the North and South) in order to give more freedom to multinational corporations.
- **The G8** – set up in 1975 as the G6 – a meeting of the richest Northern country leaders. The purpose was to coordinate global strategy – in particular to ensure the continued supply of cheap oil, and to ensure the South's coordinated attempts to reform the international economy were thwarted.
- **Bilateral treaty regimes** – as well as global institutions a number of regional and government-to-government treaties gave corporations and private finance rights when investing in other countries. The UN has calculated that there are now more than 3,000 international rules on investment, benefiting multinational companies for example by giving them the right to sue countries more easily.

In this chapter we take a look at what these austerity policies meant and what happened in many countries when they were implemented, including who ended up benefiting.

What was the agenda of these institutions?

The economic thinking of these institutions can be broken down into five ideas:

1. Cut public spending
2. Privatise industries and services
3. Remove trade protections like tariffs and quotas
4. Lower wages and remove workers' rights
5. Put capital first

These ideas were pushed onto dozens of Southern countries, having major ramifications on world poverty and inequality.

Kim Conway

An anti-austerity protest in London. Protests have swept Europe since the financial crisis in 2007 as people question whether the debts run up through bank bailouts are just.

1 Cut public spending

WHAT THEY SAID WOULD HAPPEN: By cutting public spending it would be possible to spend money on reducing debt and open up public services to the market, encouraging efficiency and growth.

WHAT ACTUALLY HAPPENED: Health, education and welfare got worse as spending was cut and the private sector didn't 'fill the gaps'. Meanwhile the debt itself actually increased and lenders were paid back – with interest.

EXAMPLE

In 1982, Mexico defaulted on its debt. The country owed over $50 billion, 90% to foreign private creditors – primarily US, Japanese and British banks. As explained above, much of this lending was reckless and became unpayable when US interest rates rose. Rather than allowing Mexico to get rid of some of its debt, the IMF lent Mexico $4 billion, which went straight back out of the country to pay western banks. At the same time, the IMF insisted on radical austerity – there were cuts in every area of government spending

Mexico's economy collapsed and stagnated, many industries shut down, with the loss of hundreds of thousands of jobs. By 1989, the Mexican economy was still 11% smaller than 1981. Meanwhile, the debt doubled from 30% of GDP in 1982 to 60% by 1987.

The same story was repeated across Latin America. In 1990 Latin American economies were on average 8% smaller than they had been in 1980, and the number of people living in poverty increased from 144 million to 211 million. Meanwhile, the foreign debt of governments more than doubled (from an average of 17% in 1982 to 44% by 1988).

2 Privatise industries and services

WHAT THEY SAID WOULD HAPPEN: Governments would earn money from the sale of public assets to repay debts, and privatised industries and services would be more efficient and productive generating employment and economic growth.

WHAT ACTUALLY HAPPENED: Industries and services that governments relied on to improve their economies were bought by private companies and operated for profit. Of course, this was good for multinational companies that bought up services that people relied on, but less so for the poorest

people, who were priced out of the service. Companies were often sold off on the cheap in corrupt deals between multinational companies and ruling elites.

EXAMPLE

Senegal was one of the first African countries to engage in widespread privatisation in response to IMF conditions on loans, starting in the 1970s. For example, French company Bouygues took over water services, with disastrous results. The company concentrated its investment on areas that were seen as more lucrative, or where it was easier to collect payments, leaving rural areas with increasingly dilapidated and unreliable water provision.

Costs increased by 40% in ten years and people began to drink river water, with serious health impacts, such as cholera outbreaks. Under state provision there had been standpipes for poorer communities and special arrangements for schools and other public institutions. All of these provisions were swept away under privatisation.

World Development Movement

Poster for WDM's campaign against Europe's unfair trade deals from April 2008 to December 2009.

3 Remove trade protections like tariffs and quotas

WHAT THEY SAID WOULD HAPPEN: cheap goods would be imported into the country allowing people to buy what they needed for less money, and increasing the overall efficiency of the global economy. Foreign capital would allow the development of the country's economy.

WHAT ACTUALLY HAPPENED: In many cases, domestic industries were destroyed by competition from foreign industry; cheaper goods came in, but this didn't provide the basis for growth. Many countries that used to be self-sufficient in food, like Haiti, became utterly dependent on imported food – and the unstable prices of the world market. At the same time Western multinational corporations profited by being able to sell their goods much more freely.

EXAMPLE

India opened up its economy by removing trade protection in 1991, allowing the easier entry of goods and services from abroad, in

order to get support from the IMF to deal with a financial crisis. For many decades Indian farmers have been increasingly squeezed, but the liberalisation of 1991 marked a new departure in 'opening up' agriculture, including the removal of government support from agriculture (such as subsidies and price guarantees for small farmers) and the encouragement of foreign investment.

The result was that many small scale farmers lost their land as land ownership became increasingly concentrated in the hands of a richer minority of landowners. The diversity of crops produced was radically reduced as big corporations planted single varieties, meaning they were more vulnerable to disease. The cost of fertiliser and seeds increased dramatically as multinationals patented genetically modified crops and sold seeds and related fertiliser to farmers at unaffordable prices, forcing farmers into debt.

One of the most shocking consequences is the extremely high level of farmer suicides as a result of the high debt so many find themselves in. The Center for Human Rights and Global Justice estimates that more than 250,000 Indian farmers committed suicide between 1995 and 2011. Well over 17,000 farmers killed themselves just in 2009. Particularly affected are those growing 'cash crops' for the market. Many farmers take their lives by consuming the very pesticides they went into debt to purchase.

4 Lower wages and remove workers' rights

WHAT THEY SAID WOULD HAPPEN: More companies would be enticed to set up factories in the country, creating employment and earning the country money.

WHAT ACTUALLY HAPPENED: More jobs were created in some countries, but new jobs were often based in sweatshops where workers were sacked at the first sign of 'trouble' and were unable to join trade unions to defend their rights. Western multinationals benefited from this very cheap labour with higher profit margins. Western consumers also benefited from cheaper clothes too – though at the expense of massive job losses in their own countries.

EXAMPLE

Bangladesh became synonymous with cheap clothes and sweatshops during the 1990s, as hundreds of thousands of young women moved from rural Bangladesh into the rapidly expanding cities to seek employment. Today, four million workers in over 5,000 garment factories produce goods for export to the global market, principally Europe and North America. Many workers were employed in so-called 'Export-Processing Zones', special production areas where the normal laws of the country don't apply – for instance there is no right to join a trade union and corporations operating there have very low tax rates.

The Bangladeshi garment industry generates 80% of the country's total export revenue. However, the wealth generated by this sector has led to few improvements in the lives of garment workers, 85% of whom are women.

The majority of garment workers in Bangladesh earn little more than the minimum wage, set at approximately £25 a month. This is far below what is considered a living wage, the minimum required to provide a family with shelter, food and education, which was calculated in 2011 at approximately £100 a month.

As well as earning a pittance, Bangladeshi factory workers face appalling conditions. Many are forced to work 14–16 hours a day seven days a week, with some workers finishing at 3am only to start again the same morning at 7.30. On top of this, workers face unsafe, cramped and hazardous conditions which often lead to work injuries and factory fires.

Sexual harassment and discrimination is widespread and many women workers have reported that the right to maternity leave is not upheld by employers. Factory management

also take steps to prevent the formation of trade unions.

Since 2005, more than 1,800 workers have died and several thousand more have been injured in factory fires and building collapses in the Bangladesh garment industry. Over 1,100 people, mostly female garment workers, were killed in the collapse of a building in Bangladesh in 2013 which housed factories that made clothes for Benetton, Primark, Matalan, Mango and other major brands.

iDj photography

'Never Again' solidarity demonstration in Oxford Street, London after Bangladesh factory collapse in 2013.

5 Put capital first

WHAT THEY SAID WOULD HAPPEN: Companies would find it easier to invest without government restrictions and taxes, and the country would earn more money. Foreign capital would help bring in money for the country to develop.

WHAT ACTUALLY HAPPENED: Some countries did see more investment, but because it was unregulated governments had no control over it, and profits poured out of the country as fast as new money came in. Much investment was pure speculation and caused bubbles where high prices were followed by devastating crashes. Banks and investment funds gained a 'right' to invest where they wanted, when they wanted, while ordinary people saw their lives become increasingly decided by financial markets.

EXAMPLE

In the early 1990s, countries in East Asia like Thailand, Indonesia and South Korea were viewed as success stories of international 'investment' as they attracted huge quantities of foreign money. In 1993 the World Bank had labelled this 'the East Asian Miracle'. However, because of the deregulation of investment, there was no guarantee that this investment was performing a useful purpose. In fact, much of it was flowing from major banks and investment funds in search of quick and high returns, in areas of the economy which other speculators were also putting money into.

It was gambling – driving up the prices of real estate in an investment bubble ready to burst. Hundreds of billions of dollars of private capital entered these East Asian economies from 1994–7. Then in 1997 the bubble burst, panic ensued, and it poured out again.

Hedge funds made a killing from this speculation. But for ordinary people in the region, the financial crisis became a social catastrophe. Large numbers of companies went bankrupt leading to massive job losses. Millions of people fell below the poverty line in 1997–1998. The International Labour Organisation estimated that the crisis caused the number of unemployed people to rise by 10 million in Indonesia alone.

Austerity is working… for the 1%

Many of the policies laid out in this booklet so far have also played a key role in the current 'austerity' programme in Europe.

To understand why these policies continue to be implemented, despite their devastating impacts, we need to look at who benefits from them.

Globally speaking, since the 1970s inequality has gone through the roof – and is rising rapidly.

- The richest 20% of the world have 94% of the world's wealth – the remaining 6% is held by everyone else.
- The distribution gets more extreme at the super-rich end. So the top 1% of the population holds 43% of the world's wealth.
- The richest 300 people in the world, have more wealth than the poorest 3 billion people.

(Statistics collated by TheRules.Org)

This global inequality has rapidly increased.

And countries of the global South were not the only ones to suffer from the policies of debt and austerity.

In the US, the richest 1% of the population accounted for 8% of wealth in 1980. Today it accounts for 22%. The share of wealth held by the remaining 99% decreased from 92% to 78% over the same period. Clearly the economic policies of the last four decades have only worked well for the very few, but those few hold the political and economic power to promote the continuation of these destructive policies.

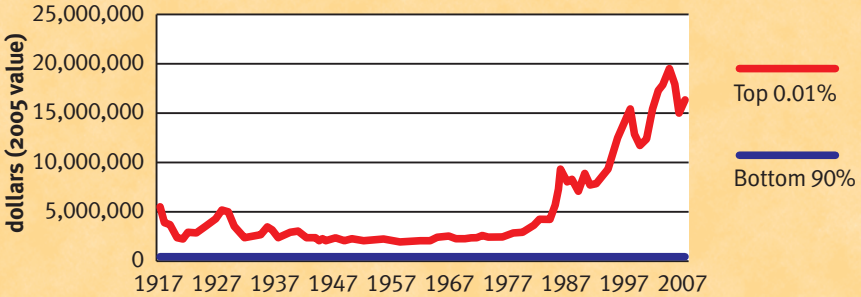
So if most people weren't getting any richer in 'real terms' (after inflation is taken into account) in the last few decades, how did the economy continue to grow?

More loans disguising the real state of inequality

From the 1970s, banks were freed up to give much more debt to many more people in 'developed' countries. They could keep on getting credit (in the form of credit cards, mortgages and other bank loans) masking the growing inequality. No wonder that, in the US alone, household indebtedness has doubled since 1980.

At the same time, as wealth flowed upwards in society and inequality increased, rich individuals and corporations sought out new places to invest this excess wealth. This led to

The very rich and the rest of us



> “Adjusted for inflation, including the lowering of prices that globalisation has brought about [...] a fulltime male worker in the US has an income lower than four decades ago.”
>
> Joseph Stiglitz, economist

a huge growth in the amount of money held or managed by financial institutions and drove the financial sector to continually ‘innovate’ to find more and more places for this wealth to go.

Banks continued to give new loans even when it was clear the borrowers would not be able to repay. The **sub-prime mortgage crisis** in the US, which sparked the financial crisis, was a clear case of banks targeting poor borrowers, selling them expensive mortgages that they could not repay. Although this doesn’t sound sensible, the banks had a strategy: they sold on the mortgages to other banks and investors in ‘bundles’, ‘packaged up’ with good mortgages so they looked less risky. This is just one example of the way finance started developing new ways of trading, to hide high levels of risk.

Debt became a key factor in pushing up house prices, especially in Spain, Ireland and Britain. And it didn’t stop at house prices. Increasingly **banks and other ‘investors’ started gambling on all sorts of things – like the price of food**.

The growing power of finance over every aspect of our lives helped transfer wealth to the super-rich. For many people, now highly dependent on financial markets whether they liked it or not, life became more precarious. But for the few, the money kept pouring in.

Such an unsustainable system could not last forever. From 2007, warning bells started sounding. The banks started to realise their paper wealth was based on a house of cards. They stopped lending to each other, fearful that they didn’t understand how much toxic debt (debt that’s ‘bad’ or unpayable) each other owned. The banks seized up. **The economy crashed**.

Gambling on food prices

By buying huge quantities of food derivatives (financial contracts linked to food prices) with no intention of actually using the food, but instead selling it on at the ‘right’ time, speculators distorted the price of food on the market, causing enormous price spikes.

For instance, if large numbers of speculators buy up food contracts for a later date, the price of these contracts rises and leads people to expect higher prices in future. This encourages buyers of food to buy early and sellers to hold on to their supplies to profit from higher prices, driving the price even higher, and putting food out of the reach of many ordinary people across the world. The spike in food prices in 2008 led to protests and riots across the world.

So first, as we’ve seen in the previous section, farmers in the global South had government protection taken away from them. Food was primarily a product to be sold on the market. Then that product became something to gamble on – a financial product – further removed from the control of the producer or the consumer. Whether a person eats or goes hungry was determined by the rules of the casino.

From financial crisis, to economic crisis, to social crisis

What happened next was remarkably similar to what we saw in Mexico in 1982.

Private debts of the banks became public debts through massive bailouts.

These debts were too much for many countries, especially given the costs of recession caused by the financial crash (more unemployed people means the government spends more on benefits and gets less tax).

European countries were given 'bail-outs' – new loans so that they could keep paying the debt of the banks who had lent money recklessly.

In return for these new loans, the International Monetary Fund, The European Commission and the European Central Bank (collectively now known as the Troika) imposed austerity and privatisation. The debt keeps growing, but the banks are being paid.

For most countries, **the financial crisis was not caused by big public debt and overspending by governments**. It was caused by **too much private debt, created by banks** with too much freedom to paper over the cracks of deep inequality.

In Spain

The banks ran up huge debts fuelling a construction boom. As money poured in, it seemed building houses and resorts would remain profitable forever; until it stopped when money poured out, leaving massive debts and unfinished buildings. Although many people in Spain didn't benefit from high house prices, they have been made to pay the price through austerity – harsh cuts and privatisation. As a result, nearly 60% of young people are out of work. Spain has 700,000 unsold homes, yet 500 people are sent eviction notices every day. The modern economy is uninterested in need.

In Greece

Debts were run up paying for goods from other countries, including a lot of weapons from Germany and France. German and French banks were happy to lend the money, and didn't think about how sustainable it was. The size of these debts was then covered up by financial giant Goldman Sachs. Today the Greek people are paying for that reckless lending through massive cuts and privatisation. As in Spain, 60% of young people are out of work, 250,000 people are only fed every day with the help of the Church and people are denied essential medicines because the health service is broke. Yet the global super-rich are making some great deals buying up Greek islands, hotels, airports and more, for knock-down prices, at the instruction of the Troika.

In Britain

The debt situation is not as unmanageable as in other countries. The level of public debt in no way justifies the severe austerity package being carried out by the British government – in fact austerity is making things much worse. But the UK does have a private debt crisis. Our financial sector is so huge that the UK's private debt is amongst the highest in the world. That doesn't mean we need austerity – rather we need to take control of finance and shrink the City of London.

In spite of the damage wrought on Europe – and the world – by debt and finance, there seems to be no stopping its rule.

Jubilee Debt Campaign

A protest outside the European Commission in London calls for debt cancellation not austerity for Greece. Bailout loans from the EU and others have been used to make payments on reckless loans by Western European banks.

Stopping the austerity machine

This booklet has shown how austerity policies have been used around the world to enforce a particular economic order.

Many people have fought against the dominance of this economic system that puts profit first, and people's lives second.

The following pages hold some examples of movements that are fighting for Economic Justice around the world today, and there are many more.

Resisting the rule of debt: debt audits

Economic Justice movements around the world have called for debt audits. Debt audits seek to investigate and expose the origins of debts, showing that in many cases people are being forced to pay for debts which were run up through corruption, harmful projects, or loans that were taken on undemocratically.

Movements for economic justice have underlined that true democracy can only be achieved if people determine the economic decisions made by their countries. In Egypt, Tunisia, Greece, Portugal, El Salvador, Ecuador, Jamaica, Pakistan and more, the call for a debt audit has been part of this.

Ecuador is an inspiring example of how a debt audit process can work. For over two decades, activists saw Ecuador's debt as a major obstacle to human rights and a better life for ordinary people. Activists from Jubilee 2000 Red Ecuador pushed for this debt to be publicly examined through an audit – as a step towards a democratic debt cancellation.

When President Correa came to power in 2007, on the back of a huge mobilisation against the 'old order', he established the debt commission which social movements had been asking for. Maria Lucia Fattorelli is a Brazilian activist and was part of Ecuador's debt commission:

"The proof of so many illegalities [through the audit] allowed President Correa to suspend interest payments and agree to pay only 30% of the face value of the debt. It demonstrated that a country can suspend payments and achieve positive results."

The money saved from debt repayment was spent on health and education.

But it didn't end there. As a result of activism in Ecuador, the country adopted a new constitution which offers strong protection against taking on new debts that do not benefit the majority. As well as better accountability, the constitution prohibits the bailing out of private banks. In other words, what has happened in Europe over the last 5 years could no longer happen in Ecuador.

Maria Lucia believes none of this would have happened without ordinary activists:

"In Ecuador civil society is well organised and the audit has led activists into campaigns for greater economic justice – pushing for new financial architecture such as the Bank of the

South, control of capital flows and popular tribunals to adjudicate on economic justice and ecological debt.

Global solidarity for workers' rights

The struggle for workers' rights is one of the oldest and longest running movements for a more just economic system. From the dawn of the industrial revolution, trade unions and the labour movement have been crucial to securing the basic rights now enjoyed by many, like limits on working hours, the weekend, an end to child labour, and the right to work in a safe environment.

Yet in many cases these rights are still systematically denied. One of the clearest illustrations of this was the Rana Plaza disaster in Bangladesh in April 2013, where over 1,100 people – mainly female garment workers – died when the building collapsed. Despite clear warnings about the building's safety, these workers were forced to return to the factories under threat of dismissal or severe reductions to their already incredibly low wages. This violation of their basic right to work in a safe environment was not an isolated incident; hundreds more workers have died in factory collapses and factory fires in Bangladesh in recent years.

In the wake of this appalling tragedy, a truly global campaign emerged to ensure such disasters never happen again. Led by trade unions in Bangladesh and the global trade union federations, an agreement was drafted – factories would have to be audited and the results made public, international brands and retailers would have to ensure funds were made available to make factories safe and trade unions would have to be allowed access to all factories across Bangladesh. And the agreement would be binding.

In response to the unions' call over one million people around the world signed petitions and took part in demonstrations and protests to demand that retailers and brands signed the new agreement – the Bangladesh Safety Accord. Within three weeks, over 40 companies had signed, and within three

National Garment Workers Federation

Demonstration by the National Garment Workers Federation trade union in Bangladesh.

months over 80 of the world's largest brands and retailers had signed the agreement.

The campaign continues against those companies that have so far failed to sign up, including Asda's parent company Walmart and Gap, but its model shows the effectiveness of international solidarity campaigning in support of trade unions' demands for workers' rights to be respected around the world.

Fighting for land and food

With the birth of La Via Campesina in 1993, the food sovereignty movement has seen its roots grow into every corner of the world. From landless peasant movements marching on Delhi to farming cooperatives in Brazil and urban gardens in Detroit, food sovereignty's strength lies in what it can create as well as its challenge to the corporate food system.

In 2007, 500 representatives of peasants' organisations, fisherfolk, indigenous peoples, landless peoples, rural workers, migrants, pastoralists, forest communities and consumers met in Mali to participate in a forum which was to crystallise the movement. There were now over 200 million people across the world fighting for food sovereignty.

Across the world there have been a number of success stories as peasant movements have

Archivo de Proyectos/Flickr

La Via Campesina march at COP16 climate talks in Cancun.

succeeded to win back control over the food system from big business or large landowners.

In Brazil the Movimento dos Trabalhadores Sem Terra (or Landless Peasant Movement) is one of these. Over more than two decades, the movement has led more than 2,500 land occupations, with about 370,000 families – families that today are settled on 7.5 million hectares of land that they won as a result of the occupations. Each of these families were able to take the food system into their own hands by setting up farming cooperatives on the land they occupied.

In India, the Ekta Parishad movement has mobilised hundreds of thousands of landless peasants and indigenous tribal people to take action. Together they successfully pushed the Indian government to make concrete steps towards a National Land Reforms Act.

Food sovereignty has also been growing in Europe. A vibrant gathering in Austria of over 400 representatives from 34 countries in 2011, showed the achievement of local food

movements. People are establishing networks and organisations like community supported agriculture, co-ops and farmers markets to reclaim food from corporations and build resilience into their local food systems.

With the G8's plans to increase the control of agribusiness in the global south and the existing dominance of neoliberalism in the food system there is still a huge challenge ahead. But movements fighting for food sovereignty are increasingly making their mark on a global scale.

Stopping privatisation of public services

As this booklet shows, the privatisation of public services has been a key aim of austerity programmes around the world. But in many cases movements have successfully fought against this and protected public services and essential resources.

In 2011 an overwhelming 96% of voters in Italy overthrew legislation which would have privatised their water. This victory followed huge public mobilisation around this issue which insisted that water is a human right. Renato Di Nicola, an Italian water activist said "We don't forget that our teachers were the indigenous people of Cochabamba with their Water War and the Uruguayan comrades that won a referendum as we have." (*Yes! Magazine*, 22 July 2011)

The Bolivian 'Water Wars' was a stunning victory against privatisation and the imposition of neoliberal policies. In 1999, the World Bank advised the city of Cochabamba in Bolivia to privatise its water utility. The privatisation law was so extreme in its drafting that it could be used by whichever company bought the water utility to prevent people collecting rainwater, as this would damage its profits.

The Coalition in Defence of Water and Life was established to oppose the law, organising protests across the country. Marcela Olivera was a part of the campaign; she explains how the campaign developed.

Kris Krug

Feria Internacional del Aqua – 10 year anniversary of Cochabamba Water Wars in 2010.

"It all started with the campesinos in the countryside who realised what the government was trying to do. They started to try to defend their right to water. They came to the city and contacted the federation of factory workers and got their support for the campaign, as well as a group of academics who helped with the legal interpretations.

"The first mobilisations started in 1999, but they were quite small. Eventually they started growing and shut down the city for several days. Nothing happened. Finally a mass mobilisation was called, with the idea of taking over the public squares. The idea was that people from the countryside and city would meet, it was going to be a big party.

"The government tried to stop it by surrounding the city with police and the army. They shot rubber bullets and let off tear gas, they also beat protestors. But this just meant more people came out of their houses to protest. We thought that the protest would only last a day, and that people would be scared to come back, but the next day they came out again."

The repression suffered by people was harsh, but eventually the Bolivian Government was forced into a u-turn and privatisation was reversed. The movement didn't stop there – there was an understanding that a 'public' water system didn't solve the problems of people in Cochabamba. They went on to fight to take proper control of the water system, and run it in the interests of ordinary people. The movement created helped get Bolivia's first indigenous president, Evo Morales, elected to government in 2006.

The Italian water campaign is also now pushing for laws which ensure the water system is run for the public good. These are just two of many examples of the successful resistance to privatisation.

Freedom from Debt Coalition (Philippines)

Launch of the Independent Citizen's Debt Audit Commission in the Philippines.

Redistributing wealth: the movement for tax justice

Tax shouldn't just be thought of as government money, it is a process for distributing wealth in society – and a just tax system is one that redistributes wealth from rich individuals and multinational companies to poorer people, either through public services or the welfare system. Around the world movements are growing, demanding a tax system that fulfils the need to redistribute

wealth and doesn't allow the richest to dodge their share of tax.

In the UK, a high profile example is UK Uncut, an anti-austerity civil disobedience campaign that has been at the forefront of the movement to highlight tax avoidance by some of the most well-known multinational companies. UK Uncut started by shutting down Vodafone's flagship London store the week after the UK's new coalition government introduced its first round of welfare spending cuts in 2010. The message of the protest was simple: the £6 billion of tax that Vodafone was reported to have avoided could have covered all of the cuts to welfare in the government's budget.

UK Uncut forced corporate tax avoidance to the top of the political agenda, forcing politicians to condemn tax dodging, and in 2012 led Starbucks to offer a £20 million voluntary 'tax' payment in a failed attempt to see off planned occupations of over 40 of their shops.

Dominic Alves/Flickr

UK Uncut demonstration in Brighton, 2010, highlights the discrepancy between tax dodging and cuts

Tax justice campaigning is not a recent development, in the Philippines the Freedom from Debt Coalition has been campaigning on tax for decades. In response to IMF imposed tax policies that increased burdens on the poor and gave tax breaks to multinational companies, the Coalition launched the People's Tax Agenda.

Developed in the 1990s through a Citizen's Review of Tax Policies, it set out a positive vision of how the tax system should work, exempting people earning below the living wage from income tax, increasing tax contributions from multinational companies, and increasing spending on universal public services. The campaign also sought a gender sensitive tax policy, such as tackling the disproportionate tax burden on single income households, the vast majority of which have a woman as the sole earner.

The movement for tax justice is growing across the global south. After researchers exposed the huge scale of tax avoidance by mining companies in Zambia, taxation became a central issue for campaigners in the 2011 general election. After huge pressure from civil society the government doubled the tax rates for the copper industry – and used the additional revenue to increase the threshold for paying income tax, meaning huge numbers of low income earners would no longer pay income tax.

Solidarity and Survival

Austerity programmes in Europe have forced millions into poverty, with many struggling to meet basic needs like food and healthcare. But in the face of this, people are organising survival strategies.

Alongside ongoing mobilisations, protests and strikes in Spain, many towns and neighbourhoods have also seen the establishment of citizen's support or solidarity networks. Iolanda Fresnillo, debt and austerity activist explains "they provide support to those who are about to be evicted, or they organise collective services such as city vegetable gardens, clothes exchanges, food distribution or 'time banking' schemes (whereby people 'bank' time they can offer in a particular service or skill and receive the equivalent back). But they also organise collective direct action, such as resistance to an eviction, occupying an empty building for social use or boycotting a local company that exploits its workers. Consumer co-operatives have grown too in the wake of the 15M movement. They establish a close relationship with producers, generally local eco-agriculture or farming projects, and offer food at affordable prices in self-organised spaces." (*Red Pepper* Feb/Mar 2013).

In Greece there are similar stories. Solidarity networks have in many cases saved lives that would otherwise have been lost to austerity policies.

Fotomovimiento/Flickr

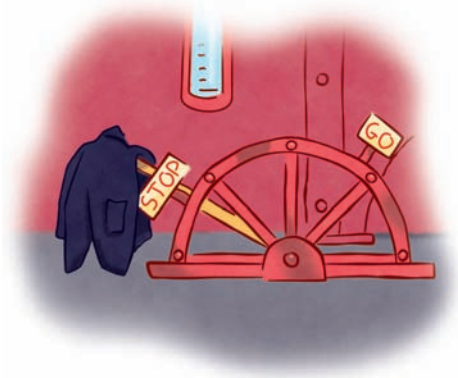
Anti eviction protest in Cataluña. Protesters have targeted banks, and successfully stopped evictions.

As well as strikes, protests and occupations, at a local level public sector unions have been involved in solidarity actions, allowing free entry into hospitals, organising summer schools for the children of workers who have had their pay cut, running free or cheap restaurants, and more.

There are an estimated 2000+ solidarity initiatives now operating in Greece covering health care, food supply, education, legal advice, social economy and cultural activity. For example, solidarity social clinics – free health clinics staffed by volunteer health workers – are increasingly serving a population unable to afford health insurance.

Although organisers are keen to emphasise that these projects cannot currently fill the space of essential service provision that has been ripped away by the austerity programme, the work of these solidarity networks has proved essential for many people's survival, and the new social networks and forms of economic and social interaction it is building are inspiring.

ECONOMIC JUSTICE PROJECT



The Economic Justice Project provides opportunities for people to learn about the basics of economics and the financial crisis, vital tools for social and economic justice activists. The project's resources, events, workshops and trainings bring people together to share ideas and build strong economic justice networks. Find out more at:

www.economicjusticeproject.org.uk

For further reading on basic economics, the financial crisis and alternatives visit the Econo...what? reading group project

www.econowhat.org.uk

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This booklet is produced as part of the Economic Justice Project which is supported by the following organisations:

JUBILEE DEBT CAMPAIGN

people & planet
student action on world poverty and the environment

Trade Justice Movement

WAR ON WANT
FIGHTING GLOBAL POVERTY

World Development Movement
Justice for the world's poor

Thanks to the Joseph Rowntree Charitable Trust for making this booklet possible.