Rosa Luxemburg Stiftung – Workshops on Debt:
The European Union, its policies and its agents

Berlin, 2. – 4. November 2012

GIUSEPPE CACCIA (Venice, Italy)

Financialization and debt as private grabbing of "common wealth": The crisis of local governments and the search for alternatives in Europe.

I am grateful to the Rosa Luxemburg Stiftung for this invitation.

In my contribution I will try to highlight, first of all, which are the effects of financialization process on local governments all over Europe.

Why do I suggest adopting this perspective too, among the others? Because it is relevant for our search for alternatives to the dominant "crisis management" and to the current austerity policies.

Let me look back to the beginning of this century: in the global movement against the neoliberal globalisation, following the experiences of Porto Alegre and other Latin-American cities, we thought that the promotion of a large democratic participation on municipal level and the building of transnational networks of self-ruled towns could constitute a sort of "counter power" to the global neoliberal governance. And that it could contribute to the construction of "another possible world".

What about now?

Let us begin with the European case. Several years before the "fiscal compact" was approved applying on a national level of the "steel cage" defined by the Maastricht Treaties through the Financial Stability Pact, the still on-going shortage of economic resources' transfer from national central States to the local authorities began.

In Italy, for example it was calculated that in the last five years, in order to comply with the regulations of the European Stability Pact, the Italian national governments charged eighty per cent (80 %) of the entire cost of the Internal Stability Pact to the local level, in particular to the cities. The budget of local governments is therefore one of the main targets of austerity policies.

This choice carries with it plenty of hard social consequences. You have to take into consideration that, in Italy, Municipalities guarantee seventy per cent of the total expenditure for social Welfare services and interventions, and the Health services are exclusively the duty of Regional authorities.

For this reason, any massive cut in State transfers to local governments, under the rule of Internal Stability Pact, is immediately a direct attack against the Welfare system.

And not only this.
I think that the process of financialization of capitalistic accumulation has implied, and still is implying, a structural constitutional transformation, (I mean in the material constitution) of the role of local governments in Europe. What does this mean?

Insufficient transfers of economic resources from the national States to Cities determine an effective shrinkage of the democratic spaces of local autonomy, of self-determination and self-ruling. I believe we are witnessing an undeclared “constituent process” on the European level, a sort of “revolution from above”, in Gramsci’s words, lead by the logic of dominant financial markets and by unelected institutions like *Troika*, and this has a precise consequence on the local governments: it reduces local autonomies to nothing more than dependent variables, or purely executive functions, subordinate to the financial and technocratic governance.

This is part of a designed plan; a strategy for reducing public spending and transferring more and more socially produced wealth from their larger redistribution to the private income (*rénte*) and to worldwide circuits of financial capitalism.

Again, the cuts in the transfer of economic resources from national States to Cities has increased local public debt and explicitly pushed local administrations into the global financial markets, mainly into the market of derivative financial products.

Since 2001, for example, the level of debt of French regions and departments increased in the measure of fifty per cent (50 %). We all know the historical experience of “good administration”, left-wing coalitions and participatory democracy of Seine-Saint-Denis, in the banlieu north of Paris. Well, in January 2011 the debt of Conseil general de la Seine-Saint-Denis amounted to more than nine hundred-fifty two millions Euro, seventy-two per cent (72 %) of which was made up of so called “toxic assets”.

Another example: in Italy, up to the year 2002, in order to finance public works, the local authorities resorted to loans only, strictly and only through a Public

Investment Bank, the “Cassa depositi e prestiti” (CDP), whose capital is based on popular postal savings. In 2002, major Italian private banks came with a share of thirty per cent in the stake of CDP. In the same year, the Berlusconi government, his Finance Minister Tremonti, has fully liberalized the purchasing of derivative securities products by local governments on global financial markets. You can just imagine the budget impact and the current financial situation of many Cities after the subprime crisis in 2008. And now the Monti government is endowing the CDP with the tasks of a private investment bank.

But there is another important point I want to emphasize: the logic of Financial Stability Pact, transposed from top to bottom, from European to national level, was to force local governments to the privatization of public goods and public services, determining a process that we can define as "commons grabbing". Look at the example of the struggle for “water as common good”. In Italy, in June 2011, twenty-seven million citizens voted in the referendum to keep the water resource management away from any process of privatization. Despite such a large democratic pronunciation, after the letter of intent signed by the former and current presidents of the European Central Bank, Mr Trichet and Draghi, the Italian government tried again and again, with five different laws and decrees, to force the local authorities to privatize not just water, but all the local public services. In different ways a lot of Municipalities, all around the country, are trying to resist these attempts.

Let me go to the conclusion, which is an open one. In our search for alternatives, we have to think that there cannot be a “ready and packed” solution. We also need a permanent “constituent process”, but acted from below. And this process can only be a complex, multilevel one connecting different levels of action and a multiplicity of social and political actors. I think that local governments could be a crucial part in such a process; and that they could hinder the processes of "common grabbing" I described above. They could, that is, if they looked for a strict connection, in a dialectical (and sometimes inevitably based on conflict) relationship, with social struggles, movements and citizens' participation, if they managed to contribute to re-inventing democracy as a conflictive practice, re-gaining spaces of autonomy and self-determination for everybody.

And, in a renewed democratic European framework, local governments could build innovative and concrete alternative policies, such as a communitarian Welfare, fit for the needs of the new social class composition, hinged on basic income, and a radical ecological conversion of the economic and productive model.

A final consideration. To do all this, we need to accumulate force; we need more power. Throughout its centuries-old history, capitalism redistributed richness only when it was afraid of strength the class could exert. The last time it happened was during the "glorious thirty years" after the Second World War, because of October 1917 revolution, anticolonial liberation movements, and mass working class struggles in Western Europe. We rightly hate Thomas Hobbes' idea that fear should be the fundamental political sentiment: fear was, every time, an instrument of the ruling classes. But now, in a totally new social situation due to finacialization, we need for the capitalistic elite to try again the taste of fear.

Berlin, 3. November 2012

GIUSEPPE CACCIA (Parma, 1968), M.A. in Philosophy (University of Padua, 1996); Ph.D. in European and Euro-American Political Studies (University of Turin, 2011); scholar in History of Political Thought and independent social researcher; editor for www.globalproject.info; former Deputy Mayor for Social Affairs of the City of Venice (2001-2005); at present City Councillor of Venice (2010-2015). Contact email: giuseppe.caccia@comune.venezia.it .