JUBILEE DEBT CAMPAIGN

May 2017

Debt justice and the 2017 general election

A snap general election has been called for Thursday 8 June. 'Hustings' events – where the candidates from political parties present their policies to potential voters – will be taking place across the country, and many candidates will also be going door to door to ask constituents to support them.

This briefing sets out the key debt justice issues we think political parties should be addressing through their policies in the new parliament. It includes suggested questions for you to put to the candidates, either at hustings events, or in writing.

Anything you can do now will help to get debt justice issues higher up the agenda of MPs in the new parliament. Please also take note of any responses and send them to tim@jubileedebt.org.uk so we can follow-up with MPs after the election.

1. The UK's role in Africa's debt crisis

Debt payments by developing country governments have risen by 50% in the last two years, with countries such as Ghana and Mozambique back in a debt crisis.[1]

The IMF say 40% of international debts owed by governments are governed by UK law,[2] and for African governments it is 90%.[3] Yet UK-based banks have recently been found to have lent money secretly to Mozambique, without parliamentarians in the southern African country knowing about or agreeing to the loans.

Furthermore, despite an Act of Parliament in 2010, vulture funds can still use UK law to prevent necessary restructurings of debt in pursuit of huge profits out of a debt crisis.

Suggested question: *"Two London based-banks have helped cause a debt crisis in Mozambique by secretly lending money to the Mozambique government. 90% of African government debt is governed by UK law. If elected, will you support a new regulation that all loans to governments regulated by UK law must be publicly disclosed when they are given?"*

2. The global debt iceberg of Public-Private Partnerships

Public-Private Partnerships (PPPs) are an expensive way to build infrastructure such as hospitals and schools, in order to avoid government debt appearing in official figures, whilst providing large profits to

1. https://www.theguardian.com/business/2017/mar/13/us-interest-rate-rise-to-worsen-developing-countries-debt-crisis
2. https://www.imf.org/external/np/pp/eng/2014/090214.pdf
3. Calculated by Jubilee Debt Campaign from cbonds database.

private companies. They were dreamt up in the UK in the 1990s, but have since spread across the world. In the UK PPPs are known at the Private Finance Initiative.

In the UK PPPs have been criticised by all the main parties. Parliament's Treasury Select Committee[4] and the National Audit Office[5] have both said PPPs have cost the UK government at least double the amount than the traditional way of funding public infrastructure. Yet, the UK government is actively promoting PPPs around the world, including through the Foreign Office, Department for Health and Department for International Development.

Suggested question: *"The Treasury Select Committee and National Audit Office have shown that hospitals built using the Private Finance Initiative in the UK have cost twice as much as if the government had borrowed the money directly. As a result, many NHS trusts are facing crippling runaway debts, which are affecting frontline services. Yet, despite the disaster of the Private Finance Initiative here in the UK, the government is now spending aid money to promote the scheme in developing countries. Would your party stop promoting the Private Finance Initiative overseas, and start telling developing countries how costly and damaging such schemes have really been in the UK?"*

3. Dealing with the UK's private debt and housing crisis

Since the global financial crisis of 2008, the UK government has been able to borrow at record low interest rates. It can currently borrow at an interest rate of 1.7%, fixed for 30 years.[6] Overall UK government debt is relatively low by international standards, and also much lower risk than the debts of many developing countries because it is owed in pounds, the UK's own currency, primarily to people in the UK. Of the UK government's debt, 25% is owed to the Bank of England, 50% to pensions funds and other savers in the UK, and just 25% to people outside the UK.

In contrast, the debts that caused the financial crisis – those owed by the private sector (banks, companies and individuals) – continue to be extremely high. While UK government debt is 80% of GDP, private sector debt in the UK is currently over 400% of GDP – five times higher. The high cost of housing – both rents and home ownership – is one of the reasons private sector debt is so high.

Suggested question: *"The government can currently borrow at a record low interest rate of 1.7% fixed for 30 years. Borrowing at such a low interest rate to fund investment in public housing could save the government and the public money in the long-term by reducing rent and mortgage costs and the escalating housing benefit bill, which is really just a subsidy to wealthy landlords. Does your party support the government borrowing money to invest in public housing?"*

4. Escalating student debt

Another form of private debt which is escalating is student debt. Students now graduate owing on average more than £40,000 for their education.[7] Furthermore, our graduates have to pay an interest rate of up to 3% more than inflation, which begins while they are still studying.

From September 2017, the interest rate on student loans taken out since 2012 will rise from 4.6% to 6.1%,[8] more than three times more than it costs the UK government to borrow. Furthermore, the government has proposed selling-off some student loans to private companies. Publications such as The Economist[9] have pointed out that this will cost the government money, as private companies will pay less for the loans than the government would ultimately receive in repayments. There is also a risk the sell-off would allow private companies to change the terms of loans, further increasing repayments by graduates.

Suggested question: *"Students now graduate with an average debt of £40,000. In September interest rates on student loans are set to rise to 6.1%, three times more than the interest rate paid by the government when it borrows. What would your party do to reduce the escalating student debt burden?"*

4. http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtreasy/1146/114606.htm
5. National Audit Office. (2015). The choice of finance for capital investment. March 2015. http://www.nao.org.uk/wp-content/uploads/2015/03/The-choice-of-finance-for-capital-investment.pdf
6. https://www.bloomberg.com/markets/rates-bonds/government-bonds/uk
7. http://www.suttontrust.com/newsarchive/english-students-face-highest-graduate-debts-exceeding-ivy-league-average/
8. https://www.ft.com/content/3f391b6e-2031-11e7-a454-ab04428977f9
9. http://www.economist.com/news/britain/21716635-it-unlikely-get-good-deal-british-government-plans-sell-part-studentwww.imf.org/external/np/pp/eng/2013/042613.pdf

JUBILEE DEBT CAMPAIGN

Jubilee Debt Campaign is part of a global movement demanding freedom from the slavery of unjust debts and a new financial system that puts people first.

The Grayston Centre
28 Charles Square
London N1 6HT

020 7324 4722
info@jubileedebt.org.uk
www.jubileedebt.org.uk

Jubilee Debt Campaign
@dropthedebt