Gazing into the abyss of indebted society: the social power of money and debt

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Gazing into the Abyss of Indebted Society: The Social Power of Money and Debt

Di Muzio, Tim and Richard H. Robbins (2016). *Debt as Power*. Manchester: Manchester University Press.

Lazzarato, Maurizio (2015). *Governing by Debt*. South Pasadena: Semiotext(e).

Soederberg, Susanne (2014). *Debtfare States and the Poverty Industry: Money, Discipline and the Surplus Population.* London: Routledge.

Key words: debt, debtfare, financialisation, money creation, social studies of finance

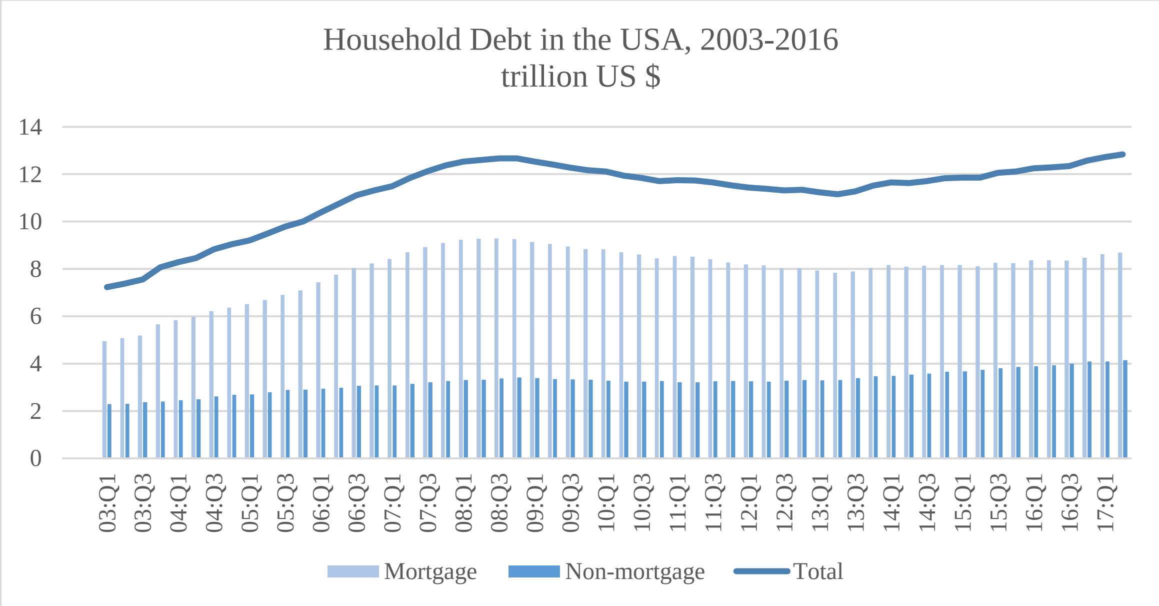
Abstract

Ever larger parts of life and nature are integrated in our socioeconomic system as future cash flows, augmenting obscure, unstable and unsustainable debt structures. The larger and deeper these debt structures grow, the larger, more multifaceted and destructive the inequality divide in our societies becomes. It is now normal for people to live indebted, as it is normal for young students to have their future monetised through student loans, the debt implications of which may never escape. What forces normalise these abnormal and unsustainable patterns and our rather admissive/submissive response to them? How our lives and future have been monetised and where have our social consent and agency been in these processes? Is there a way out, before crossing the boundary of social sustainability and environmental collapse? The three books examined here offer refreshing and complementary perspectives on these 'big questions' on which our monetised future depends.

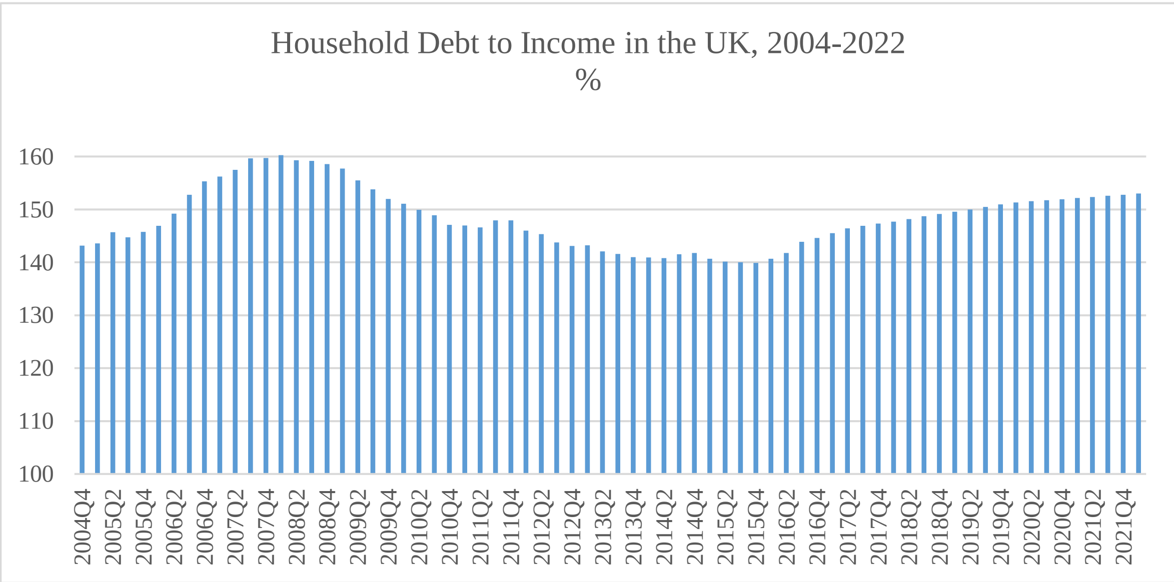
The global economic crisis has triggered a wave of major contributions on debt analysis from across the range of social sciences and humanities. Examples from the last two years include, Kenneth Dyson's monumental volume, States, Debt and Power (2014), written from a Politics perspective, that offers a unique history of the politics of debt and its illusions in the European context and beyond; Atif Mian and Amir Sufi's work, House of Debt (2014), written from an Economics perspective, that pioneers the use of new data on household debt in the US and demonstrates why and how our 'save the banks' response to the global financial crisis has been disastrously counterproductive; and Odette Lienau's book Rethinking Sovereign Debt (2014), written from a Law perspective, that exposes the intrinsically political and historically variable nature of the 'sovereign debt continuity' norm. This surge on debt related research is of course no accident. During the last global crisis the global economy momentarily collapsed as a result of all-destructive, pushed-to-the-limits financialisation and securitisation techniques that exposed the massively indebted nature and workings of advanced economies. How to conceptualise and transform the destructive power, workings and implications of this new ‘debt model’ is a, if not the, key intellectual challenge of our age.

It is also a very urgent challenge. Less than ten years after the global financial crisis that broke out in 2008/09, a new financial crisis builds up (Turner, 2016; Keen, 2017; Antoniades, 2018). In the US, all categories of household debt are back on the rise, and in June 2017 household debt at $12.84 trillion was above its 2008 peak (Federal Reserve Bank of New York, 2017). Similarly, in the UK the household debt-to-income ratio has started to rise again, and household debt is projected to reach 153% of household disposable income by the start of 2022, thus approaching its 2008 160% high (Office for Budget Responsibility, 2017) (see Table 1).

Table 1: Household Debt Trends in the USA and UK



Source: Federal Reserve Bank of New York



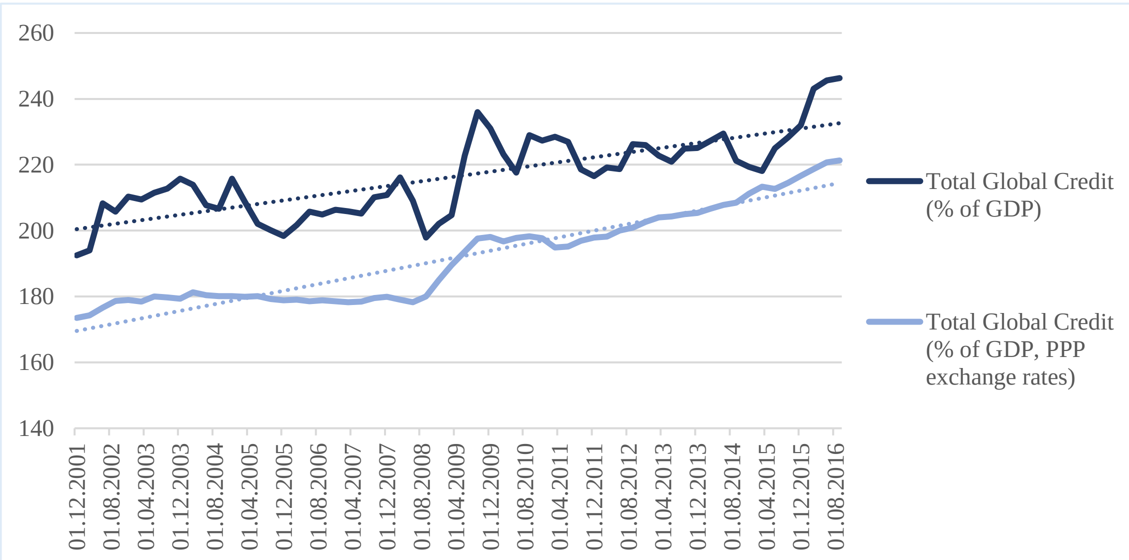
Note: Forecast for 2017-2022

Source: Office for Budget Responsibility, UK

The severe ways in which these debt dynamics generate inequalities are hard to exaggerate. It is indicative that only 2% of UK households have deposit holdings in excess of £5,000 (Carney, 2015). Furthermore, according to the latest ONS data for the period 2012-2014, individuals with debt aged 16 to 24 in the UK have the highest level of debt compared with their income, while half of adults in debt in the lowest net income quintile in the UK report debts of 83% or more of their annual income (Office for National Statistics, 2016). These are not UK specific trends. IIF estimates that global total debt (comprising government, non-financial corporation and households) from US$ 144 trillion in 2006 reached an all-time high of US$ 216 trillion in 2016, which is 325% of global GDP (Institute of International Finance, 2017; see also BIS 2017 estimates in Table 2, and IMF, 2016, pp. 1-14).

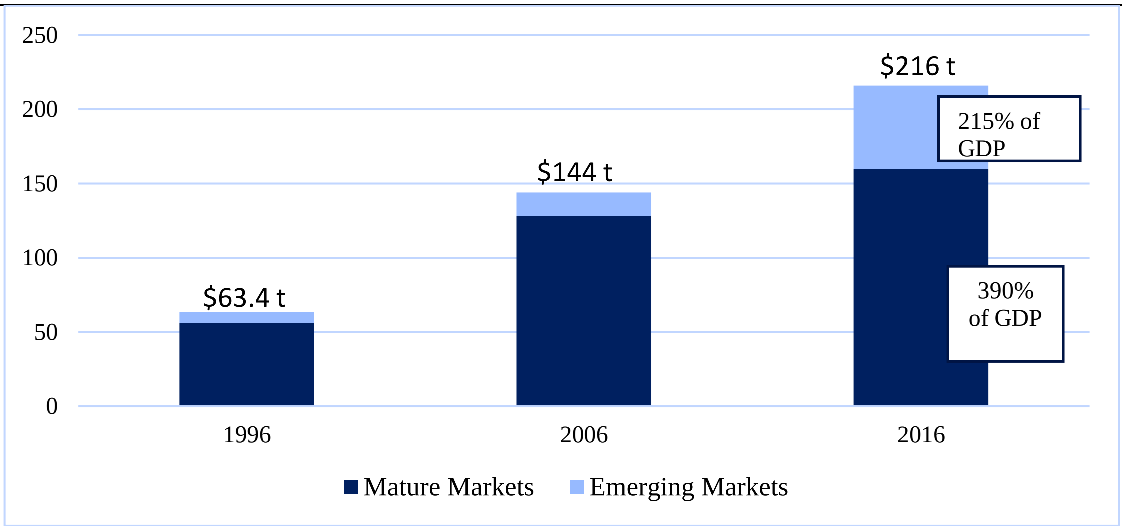
Table 2: Recent Estimates on Global Debt by BIS and IIF

BIS: Total Global Credit to the Non-Financial Sector (% of GDP)



Note: All BIS reporting countries (aggregate); quarterly until 2016 Q3; market value; adjusted for breaks.
Source: BIS data for Credit to the non-financial sector, 6 March 2017.

IIF: Total Global Debt (US$ trillions)



Source: Institute of International Finance, Global Debt Monitor, 3 April 2017.

The ways in which these debt dynamics crash everyday livelihoods and monetise their future is unprecedented. This is nowhere clearer than in the case of student loans. In the US, student loans debt has been significantly increasing after the financial crisis and has become the largest category of consumer debt after mortgages, with total outstanding student loan debt over $1.3 trillion in December 2016 (Federal Reserve Bank of New York, 2017). Equally worrying is the fact that delinquency rates in US student debt have deteriorated significantly over the last years and are first in the category of serious delinquency (90 or more days delinquent) from 2012 onwards, having replaced credit card delinquencies (ibid.). Respectively, students in England are now more indebted in comparison to their US counterparts after graduation, facing debts of over £44,000 at graduation compared to £29,000 for graduates of US private for-profit universities (Kirby, 2016). Thus young people are now exiting the university as monetised subjects entwined in powerful debt structures and relationships.

These worrying dynamics call for a fundamental rethinking of the principles and processes on which our societies are based. The books reviewed here try to do exactly this, coming from different intellectual and/or disciplinary traditions. Susanne Soederberg's the *Debtfare States and the Poverty Industry* employs a Marxian, historical materialist perspective; Maurizio Lazzarato's *Governing by Debt* finds its main inspiration in the work of Deleuze and Guattari (and thus Nietzsche and Foucault); while Tim Di Muzio and Richard H. Robbins' *Debt as Power* does not explicitly adopt any single theoretical perspective. Considering the controversy between marxist and post-structural approaches in social sciences we will start our discussion with the first two books and then move on to the *Debt as Power*.

Soederberg's book is a rare and impressive piece of scholarship. The way in which the key questions are articulated and set the parameters of a 'debt model' problematique, the clarity and braveness with which these questions are answered, and the way in which cutting edge empirical research is brought to speak to and illustrate both the validity of the proposed theoretical framework and the precariousness of our debt societies are unrivalled. The book is organised in three parts. The first Part develops the theoretical framework and conceptual tools needed to capture and analyse the existing 'reality of pervasive debt' and the related 'poverty industry', a system acutely termed by Soederberg as *debtfare*. Then, Part II uses three case studies from the US (credit cards, student loans, and the payday loan industry) to demonstrate how the 'democratisation of credit' has been an 'integral feature in the social reproduction of the poverty industry' in the US. One could have hardly asked for more succinct and sharp analysis and examples about the way in which debt has emerged as the key governing instrument and principle of modern western societies. The chapters clearly illustrate 'the power of the societal structures and processes that have normalised, disciplined and naturalised the reality of pervasive debt' in western societies (p. 1), and 'reveal how the exploitative, disciplinary and unequal relations of power that constitute creditor-debtor relations are social constructions imbricated in the dynamics of capital accumulation and debtfarism' (p.72). In a similar manner and with the same aim Part III pushes the analysis further by examining the 'politics of universalising financial inclusion in the global South' (p.12) along with two case studies of the poverty industry from Mexico (microfinance and housing finance).

A key advantage of Soederberg's analysis is that it starts with the question of 'what is money' and why we need to start the analysis of our debtfare societies with this question. A key contribution of hers is that she clearly explicates how the *social power of money* works in practice. That is, how money functions as an all-power disciplinary social apparatus that mystifies row social violence, suppression, exploitation, inequality, struggles and class power relations (as these exist in the sphere of social reproduction and people's everyday lives), and re-presents and legitimises them as relations of equality and freedom in the sphere of economic exchange. In this context, she clearly (re)connects and locates this social power of money to the broader dynamics of capital accumulation, and demonstrates how these dynamics (ab)use the 'surplus population', the precariat, in order to secure their reproduction and expansion.

Soederberg's attempt to recover money and the 'monetary' in the study of finance is commendable and allows her both to expand existing contributions in this field and to challenge and advance the broader existing body of literature in the social studies of finance. Although beyond the scope of this book, a broader engagement with the 'monetary aspect' and politics of finance (i.e. why and how money is created) would contribute further to the gap identified by the author. Furthermore, at places the use of Marxian lexicon makes it difficult for unfamiliar audiences to follow the formidable arguments and ideas put forward. Here, further intellectual innovation by Soederberg, along the lines of the concept of 'debtfare system', would make a difference in terms of ideas communication, especially considering how critical these ideas are for our present and future predicament. Finally, although the focus of the analysis on surplus labour population (see definition in p. 40) is clearly justified, considering the explosion of inequalities across the globe and the povertisation of ever larger masses of global population it could be questioned whether the term 'surplus' still makes sense. Here one could ask whether the *surplus* is the "new normal" (to use a fashionable term) and how does this matter for the existing overstretched credit accumulation regime within and across borders.

To sum up, Soederberg makes a unique contribution to the study of debt in global political economy, both in theoretical and applied research terms. Her book is a must read not only for students and academics in the field of finance, but also for policy makers and politicians who want to reflect on an ever expanding poverty industry.

If we were to take seriously the negative references to post-structuralism in Soederberg's book and the respective negative references to Marxism in Maurizio Lazzarato's *Governing by Debt* book, we would expect the two books to present opposing, mutually exclusive views on our current debt predicament, or, at best, to construct parallel worlds/perspectives that do not meet anywhere. Especially, considering that Lazzarato has as his main source of inspiration Nietzsche, Foucault, Deleuze and Guattari, who have been at the forefront of post-structural theorising and Marxist critique. This is not however the case.

Lazzarato embarks in the task of developing a theoretical framework able to capture and analyse the nature, conditions of change and implications of the neoliberal governmentality that characterises our modern economies and societies. Yet, this is far from an abstract, dry, theoretical exercise. The book's prose is vivid and refreshing, and the aim is to offer concrete tools of thinking and concrete answers to the 'big questions', without retreating to theoretical comfort zones or crude simplifications.

The *Governing by Debt* mobilises insights from an impressive range of different knowledge and policy fields to generate one of the sharpest analyses of our life-in-debt societies available to date. The first chapter of the book uses the global economic crisis as a trigger to introduce the author's key concepts and arguments. Key statements here include: we 'will not escape the crisis…quite simply because crisis is the form of government of contemporary capitalism' (p.10); in this crisis context, we have experienced a regime of 'maximum state', where neoliberalism has 'not tried to govern as little as possible but to govern everything down to the last detail' (p.11); '[t]he ascendancy of the debtor-creditor relation' has transform the traditional capital-labour class relations (p. 12); 'finance is *the politics* of capital' (p.13), '[w]hat is expropriated by credit/debt is not only wealth, knowledge and the "future", but more fundamentally the possible' (p. 23); the only way to create a rupture with neoliberal governmentality is to 'block capitalist valorisation' (p. 25).

Yet, Lazzarato's analysis reaches its full potential when it moves from this 'fragmenta' style analysis to the first two chapters, 'Profit, Rent, Taxes: the Three Apparatuses of Capture' (Ch.1) and 'The American University: a Model of the Debt Society (Ch.2). Like Soederberg, Lazzarato chooses as his driving question the fundamental question on money: what is money and where does it come from. This choice fundamentally pays off in terms of recovering the social power of money that underlies the societies of debt, and the use of debt as power and as a governmentality technique. Similar to Soederberg's Marxian approach, Lazzarato advocates that to get to the crux of neoliberal governmentality we need to move beyond the mainstream conceptualisation of money as a 'thing' that operates in the sphere of exchange and the realm of the market (p. 30). Yet, rather than turning to the sphere of production to recover the social power of money, as Soederberg does (following Marx's labour theory of value), following Deleuze and Guattari, Lazzarato suggests that 'we must start with the political constitution of a stock of money' (p. 35). Using this starting point he argues that what creates money is taxation: '[m]oney is integral not to commerce and labour, but to taxation, an instrument of power that is foreign to and independent of the market' (p. 33). This then allows him to develop an insightful argument on how taxation, in the form of austerity policies (i.e. imposed 'multiple forced levies', such as new and increased taxes, wage and social spending cuts, privatisations) (p. 39), *was used to monetise the crisis* (p. 35) and transform citizens into indebted subjects (p. 41). Of course, this is not an argument against taxation as an instrument of social redistribution aiming to reduce social inequalities. It is an analysis that aims to interrogate and expose the workings of a neoliberal 'capture apparatus' (the 'neoliberal state' in Soederberg's terms). Put differently, it is an analysis that aims to expose 'finance capitalism' as a set of governmentality techniques that are based on, depend on and reproduce a system in which 'debt is infinite, unpayable, and inexpiable' (p. 84).

Thus, throughout the management of the crisis, taxation by determining who must pay and where the money should go ensured above all 'the *political* reproduction' of financial capitalism (p. 35). In this context, debt emerges as a biopolitical technique since '[t]he power to control and constrain debtors does not come from outside, as in disciplinary societies, but from debtors themselves' (p. 69). The book then offers a trilogy of a 'critique of governmentality' (in the form of three chapters) touching briefly upon a variety of subjects ranging from the passage from ordoliberalism to neoliberalism, to the creation of euro, and to how Deleuze and Guattari help us to go beyond Marx and Foucault. The book concludes with a provocative chapter on 'what needs to be done', discussing how neoliberal valorisation can be disrupted and new possibilities can emerge through the 'refusal to work'. Although, the reader rather misses the cutting-edge applied research component with which Soederberg's analysis is invested, Lazzarato's exhibit a unique ability to capture eloquently the transformations that underlie debt societies, and to develop with clarity intellectual tools that are needed to grasp, historicise and undermine these transformations.

Based on the above analysis, the key question to address here is the following. Are Soederberg's and Lazzarato's theses fundamentally different, incompatible or contradictory, as their statements and different intellectual origins would have us assume? Rather the opposite. The two works have more in common than differences, and most importantly their synthesis seems to point to an urgently needed new research programme on debt. It is not only that they both invite us to move beyond the realm of exchange and focus on the creation of money in order to capture and analyse the workings of our debt driven societies. Not even that their key theses (Soederberg's on the social power of money and Lazzarato's on taxation) complement and expand, rather than, contradict each other. It is mostly that the material they use to articulate and build up their theses is common and seems to outline an ambitious unified research programme on debt today.

Space is limited here to refer in any detail to these common building blocks and how they come together as a unified research programme. But it is important at least to enlist some of these here: the need to bring 'back in' the 'monetary aspect' in the study of finance and financialisation/debtfarism; the political nature of money and the critique of a narrow understanding of money as a means of exchange created through bartering and commerce; correspondingly the fact that money represents, reproduces and sanctions power relations; similarly, the power of money and capital to normalise violence and inequalities in the realm of exchange and beyond; the privatisation of money issuance as a key moment for the emergence of neoliberalism; the common periodisation of financial capitalism and the role of crises in governing it; the key and pervasive role of the state in the production and reproduction of debtfarism / financial capitalism; the inherent tendency of capital to reproduce and exacerbate inequalities and class differences that supposedly addresses in the first place; correspondingly the fact that now the 'true welfare recipients are no longer the poor, the unemployed, the sick, unmarried women, and so on, but corporations and the rich' (ML, p. 67); the emergence of privatised regimes of regulation and control, or put differently the 'privatisation of governmentality'; the individualisation effects generated through money in the sphere of exchange and their negative implications for collective action; the convergence of the global North and the global South along the (valorisation) system of financial capitalism and credit accumulation; the fact that the expansion of the social technology of indebtedness from the Anglo-Saxon core to the rest of the world should not be seen as a top-down deterministic relationship but as a complex, contradictory and dynamic interaction process (SS, p. 161); the key role of ideology and the culture industry in the reproduction of the neoliberal order and a 'shameful debt consciousness'; and of course the instrumental use of debt as a tool of perpetuating relations of domination, inequality and control.

This is a good point to bring in the discussion Tim Di Muzio and Richard H. Robbins' book. *Debt as Power* has as its starting point and main argument that 'debt within capitalist modernity is a social technology of power' and that 'interest-bearing debt is the primary way in which economic equality is generated' (p.7). The book starts with a refreshing genealogy of the emergence of public debt in capitalism, tracing it back to 'the creation of the Bank of England in 1694 and the innovation of a funded long-term national debt capable of being serviced by the ever-growing regressive taxation on the public' (Ch. 2) (echoing Lazzarato's thesis). The authors' main contribution in this context is to bring the origins of *national debt* under the spotlight of their analysis as a key element of illustrating the use of debt as an instrument of power and control domestically (the 'capturing' of state by creditors) and internationally (through colonialism/imperialism). Chapter 3 offers an indeed remarkable account of how taxation and debt were ruthlessly used by European colonisers to disrupt and destroy local social practices, economies and livelihoods, and to violently reconfigure and integrate these societies and economies in the respective colonial/imperial European systems, in a process they pertinently term 'imperial monetisation' (p. 53). This chapter is indeed a must read for any class on 'debt as power' at any level of education and beyond. Furthermore, the authors' research strategy that aims to examine and compare the origins of public debt in specific countries, in order to capture debt as an instrument of power and a technology of control *in action* is insightful, and points to a promising avenue for future debt research. Chapter 4 moves on to develop the authors' viewpoint on the 'state we are in' by articulating the concept of 'debt-growth-inequality nexus'. The main thesis of this chapter is that 'the ownership, production, and allocation of "capitalist credit money" creates a particular form of political economy that requires perpetual economic growth' (p. 89). This leads to an unsustainable system where the creation of more debt, necessitates faster growth rates to serve this debt, which are achieved through more debt. This system of privatised money issuance and permanent debt generates destabilising inequality (among others, through austerity-driven redistribution ruptures from the 99% to the 1%), leads fast to global environmental collapse, and makes the repayment of debt impossible. In this system, the authors note, the 'US citizens pay more to private interests as the cost of issuing money than they pay to the Federal government in taxes to run the country! If the United States had not assigned the right to create money to private interests, and had kept for itself the right to issue money as interest-bearing debt, it would have collected, in the period from 1960 to 2012, a sum equal to all Federal taxes with an additional $20 trillion left over for the public good' (pp. 116-17). The final chapter deals with the issue of what needs to be done by briefly developing 'a political platform for a Party of the 99%'. Here the authors call for: the elimination of private interest-bearing money issuance; elimination of Third World debt; making education, health care and childcare universal and free; banning private money from politics and setting public funds for those running for public offices; abolishing the existing patent system; making insurance public and not for profit; funding retirement in an agreed-upon age; providing each adult with a guaranteed income; transition away from fossil fuels; working internationally to demilitarise the world;

and promoting alternative financial systems that are designed to avoid interest, keep money circulating and keep it in local communities.

Overall, the *Debt as Power* is full of ideas and opens up new avenues for research on the use and abuse of debt domestically and internationally. Partly this is also its weaknesses. The wide range of ideas and issues that are raised, do not allow the authors to go in sufficient depth in all key issues discussed. Similarly, the overall thesis would have been strengthened by some further elaboration of the proposed analytical perspective and further engagement with the existing literature.

To conclude, if anyone had any doubts, the recent global economic crisis made evident that there is something fundamentally wrong about the very way our socio-economic system works. The books reviewed here suggest that if we are to understand and deal effectively with what is wrong we need to go back to the fundamentals of this system. We need to rethink the very basic pillars on which our economy is based and through which it operates. To do so, the three books throw into sharp relief the fundamental questions of what is money, how is created, and what it does. In doing so, they outline a broader research agenda on the social power of money and its key role in reimagining and restructuring the model of political economy that underlies our debtfare societies.

In this way, the authors not only put under the spotlight the issue of private debt, which has been traditionally neglected in mainstream economics debates, but also offer a comprehensive approach to private debt that many times is missed in heterodox economic approaches. Private debt is and should be approached as a socio-economic technology that has far reaching implications in the way in which social, political and economic stakes and antagonisms emerge and are formulated, within and across borders. In this context private debt is not an *economic* phenomenon; it is not a phenomenon that relates primarily to macro and/or micro *economic* dynamics. Above all it is a social phenomenon that underlies the way in which our polities, lives and futures are governed. This approach problematizes also the distinction between 'public' and 'private' debt, as a purely economic distinction. Private debt can be registered as public debt, and public debt can be transformed (through austerity, taxation etc) into private indebtedness. What ultimately determines these debt shifts and mutations is power and the power inequalities that underlie debtor-creditor relationships.

This is an approach that focuses on debt and money creation as a fundamental source of inequality in modern societies. The authors of the books touched upon several aspects of inequality. They refer to changes in the shares of wages and profits, as well as to the emergence and dominance of the financial capital since the 1970s. They also point to changes in income distribution, especially with regard to those at the very top of income and wealth distribution. But more importantly, they refer to inequality in terms of the unequal power relations and unequal exposure to everyday violence generated by the ever expanding and deepening structures of private debt. As Di Muzio and Robbins put it 'we have constructed a debt-based monetary system divided into a society of net-debtors and net-creditors, with the latter comprising, at most, 1-5 percent of the population' (p. 115). In this context, inequality refers mostly to the different degrees in which different social strata are enmeshed in debt structures, and are subjected to their violent repercussions. The collapse of parts of middle classes currently observed in many modern indebted societies may be the most important manifestation of these increasing social inequalities.

This analysis points to the urgent need for reforming our privatised regime of money creation. This issue remains beyond the remit of this review paper. Yet, reform attempts, to be successful, must have two aims. First, they must aim to break down the 'debt for growth' model in which we have been trapped, by breaking down the 'growth drive' (to use a psychoanalytical term) of our societies and its valorisation system. Second, they must aim to explicitly address the problem of growing social inequalities that now threaten the very fabric of our societies. Some years ago such an agenda would sound like a radical manifesto of extreme political forces. Today, is a necessity if we are to achieve socio-economic sustainability and avoid an environmental catastrophe. Thankfully is a necessity that we have the means to address.

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