



**Social and
Psychological
Dimensions of
Personal Debt and
the Debt Industry**

Edited by
Serdar M. Değirmencioğlu
and **Carl Walker**



Social and Psychological Dimensions of Personal Debt and the Debt Industry

Also by Serdar M. Değirmencioğlu

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Social and Psychological Dimensions of Personal Debt and the Debt Industry

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*For Anna and Andrew. We write this in the hope that your
world looks better than ours*

CW

*For iğdem. Without your support, I would not have the
strength to stand the neoliberal tidal wave*

SMD

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Introduction

Carl Walker and Serdar M. Değirmencioğlu

another thing we do is once the customer has got a loan we have to phone them once they've done six payments, between six and twelve months and do a loan review but really what the bank is trying to do is try and sell them another loan.

Bank worker

Since last November my husband's started having anxiety attacks and he would sort of start retching and he'd have a nose bleed... he's now been on anti-anxiety tablets for over a year and he's still retching because of this (the communications from collectors).

Debt client

It's very rarely that we will see clients that had just mismanaged their money, who over committed liberally beyond their means, it's rare.

Charity debt advisor

There have of late been numerous attempts to make sense of the increasingly global upward trends in personal debt. This is perhaps unsurprising when we consider the ways in which the 2008 global financial crisis has thrown a critical spotlight on a range of seemingly interrelated personal debt events. Recently we have seen reports of the return of the formerly common trend of imprisoning poor and working-class US citizens who are not able to pay their debts (Roberts, 2014). Some 77% of US households are in serious debt, with one in seven people being pursued by a debt collector (Ross, 2013). The UK is currently witnessing steady growth in personal debt, which appears to show little sign of abating (Walker et al., 2014). Indeed, this increase is a growing problem in a number of countries (European Parliament Directorate

2 Introduction

General for Internal Policies, 2010). Research across 20 European nations suggests that consumer mortgage and non-mortgage loans totalled EUR 9.08 trillion at the end of 2011, up from EUR 8.03 trillion in 2007 (Benn, 2012). Commenting on the findings, the director of Finaccord said:

In most countries, the idea that households are shoring up their financial situation by paying off loans is simply not correct. Rather, the value of outstanding consumer debt is a structural feature of many economies and for a lot of individuals it is simply not possible for them to manage without it.

(Benn, 2012)

The existence of sustained problems of acute poverty and hunger in many countries across the globe can be understood as having particular consequences for experiences of personal debt as they are increasing not only in many countries in Africa and Latin America but also in the liberal democracies of the global North (Dear et al., 2013). We have seen the recent movement to institute popular debt audits in more than 18 countries in order to ascertain both the extent and the legitimacy of public debt (Keuchevan, 2014). Strike Debt!, an activist network, launched the Rolling Jubilee to buy cheap debts on secondary markets and by doing so raised USD500,000 in a matter of weeks. This was enough to eliminate almost USD15 million worth of debt in one year. Most of the abolished debts had been generated from emergency room visits (Ross, 2013). Debt, both public and personal, appears to be an issue of growing international concern.

As such there have been a number of recent attempts to make sense of the experiences of the people whose normal living costs require debt financing so that they can be met. Andrew Ross (2013) talks of describing such nation states as “creditocracies” and suggests that in recent years the sharpening conflict between creditor and debtor has become more meaningful than the traditional struggle between capital and labour. Keuchevan (2014) suggests that debt has come to be the governing principle of societies by taking the form of what Coco (2014) refers to as “debtfare” – that is, the prolonged interlocking payment obligations that operate as a socially constructed trap where debt institutions lock people’s current and future life choices and possibilities into unequal, unfree and mobility-limiting capitalist relations. In the many countries that are experiencing debtfare, debt is culturally mapped by the twin disciplining discourses of religious morality and neoliberal personal responsibility that contribute to an

institutionalised misrecognition of debtors as being solely responsible for their consequences in a marketised social world.

An understanding of the nature and function of personal debt needs a broader understanding of contemporary and historical economic conditions. It requires a consideration of capital not so much as a “thing” but as a process where money is perpetually sent in search of more money (Harvey, 2010), and it requires an interrogation of such flows of capital. Capitalism is a system that reproduces capital, through accumulation. To accumulate capital it is necessary to make profit. Whereas Ross (2013) makes a distinction between the dichotomies of capital/labour and creditor/debt, for LeBaron (2014), debt bondage in advanced capitalist countries is reflective of the general expansion in the power of debt as a form of labour discipline. Debt contributes to delayed retirement and the acceptance of ever-lower-paid jobs, especially for women. Here it can be understood as the cornerstone of neoliberal capitalist discipline, defining the parameters of incorporation and the exit from labour markets and reshaping daily lives in varying ways, both within and between nation states. As Turner (2008) argues, there has been a growing requirement by governing authorities to position personal debt as central to the success of consumer capitalist economies.

Neoliberalism can generally be understood as the dominant practices and discourses that emerged, albeit unevenly, around the early 1980s and which put a premium on market-based regulation (Roberts and Soederberg, 2014). “Always geographically and temporally specific, the variegated forms of neoliberalism encompass complex, contested, dynamic and often contradictory sets of structures and process that entail both ideological and disciplinary features” (p. 657). Hall and colleagues have suggested that the 2008 financial crisis has been used as a vehicle through which to entrench and embed the neoliberal model of governance, and a result of this there has been a steady and uncompromising assault on incomes, standards and the conditions of life (Hall et al., 2013), where financial centres operate as centres of wealth extraction rather than wealth creation.

Ritzer (1995) suggested that it was possible to view people as victims of a financial system that depended on their going deeply into debt and that itself grows wealthy as a result of this indebtedness. For Ritzer, modern neoliberal capitalism has come to depend on a high level of consumer indebtedness, having encountered natural limits in extracting cash from consumers. Montgomerie (2007) supports this contention, arguing that the development of asset-backed securities (ABSs) in the shadow banking system has in recent years served to augment the

supply of credit that is available to overcome widespread income stagnation. ABSs are important in credit markets because they lighten equity requirements on issuers' balance sheets and allow the recycling of loan pools through off-balance sheet transactions which increase the supply of credit. However, they also bring about a bias among lenders towards targeting and acquiring persistent revolving debtors because the ability to issue an ABS is predicated on the existence of a certain proportion of unpaid balances. Hence in many countries we have seen the rise of the phenomenon of rapacious credit-selling with few regulatory restrictions, often mirrored by increasingly brutal debt-collection regimes for the growing number who find themselves unable to service their debts (Walker et al., 2012).

Debt as systemic violence

Hodgetts et al. (2013) suggest that the technocratic and bureaucratic debt processes that harm certain vulnerable groups of people as a matter of course can be understood as forms of a systemic violence that creates experiences of often profound subjective suffering in the form of depression, anxiety, anger and suicide (Fitch et al., 2007; Drentea and Reynolds, 2012). Debt has become highly profitable for banks that are seeking to deliver ever more elusive profits, and there has been an abrogation of responsibility from the political classes for the responsibility of debt growth (Griffiths, 2007). Indeed the very term "personal debt" is a misleading misnomer that comes to invisibilise state-sanctioned, industrialised bureaucracies of political violence.

There is indeed very little that is personal about personal debt. Rather, what the chapters in this book reveal is the variety of often similar and sometimes variegated ways in which neoliberal polities around the world have cohered in order to industrialise a systemic and prolonged asset extraction from a growing number of people who live in these countries. Personal debt is a symbolic chimera that functions to personalise profound structural inequalities. Serres' metaphor of the parasitical relation as a principle for the production of change in social relations (Brown and Stenner, 2009) is useful in helping to understand the way in which a variety of agencies, actors and discourses operate around the world in order to sustain and develop credit industries. Deregulation and privatised money systems have allowed for the emergence of a finance capital with the enhanced capacity to exploit and to extract profit (Mellor, 2010). This often involve practices that are akin to forms of social parasitism where host humans are acquired and cultivated, and where capital is extracted through a range of activities that maintain

their status as sustainable revolving debtors (Walker, in press). Such systems provide a clear example of where the broader interests of society are subsumed by the needs and demands of the credit system. These forms of systemic asset extraction can be understood as collective forms of trauma (Moreira, 2003). To focus on symptoms of mental ill health or financial literacy in isolation from these industries is to misunderstand the collective and systemic nature of suffering and human indignity that are routinised through the debt industries.

However, that is not to simplify peoples' debt experiences as displays of passive victimhood where debtors are simply subject to forms of control and dependence (Burkitt, 2008). Rather, what this volume shows is that individuals and communities are not only subject to relations of control but also have capacities to reconstitute themselves within and through their social relations and to engage in political acts of resistance. If one is to draw out a central flaw in theorisations of debt experiences then it must be the failure to grasp the complexity of the intersections between markets and actions which stem from and are mediated by the body (Deville, 2012). What we have come to understand as mental health – that is, bodies, their reactions, emotions and responses – is not contained within corporeal vessels but are effects that are distributed across a range of sociotechnical apparatuses, sites and markets (Deville, 2012). Rather than simplistic understandings linking atomised, responsabilising experiences of debt and financial strain that impact self-contained emotions, the interaction between industrial apparatuses and embodied suffering requires a broader and more nuanced focus where affective relations and practices are deliberate and planned strategies of captation where ensembles of operations try to bind people to industrial agencies. Here, consumer debt organisations operate not just by obtaining and acting on information but also by seeking to transform peoples' very worlds using logics that are often invisible to debtors (Deville, 2012; Walker et al., 2014).

This book seeks to address Deville's (2013) call for the need to take seriously the intersection between social material processes and the generation and management of affect. Cochoy suggests a concerted study of how markets can become oriented towards embodied human states that range from habit to curiosity, weariness and temptation (Cochoy, 2007), and to understand not only practices of subjection that are inherent in neoliberal market relations but also the counterstrikes and forms of resistance to such abusive market orientations.

An exploration of the subjective experiences of national industries of debt is by definition an interrogation of hegemonic neoliberal discourse and practice, where the free individual of bourgeois ideology has been

shaped by free-market fundamentalism and where peoples' thoughts and feelings are shaped in accordance with domineering individualistic norms (Layton, 2010). It is an interrogation of the various forms of private global governance that function to establish the credit-worthiness of national governments and in so doing discipline borrowing on financial markets and national fiscal strategies (McGrew, 2010).

This volume constitutes an attempt to bring together a range of theoretical and disciplinary lenses that have previously demarcated and atomised constituent parts of debt industries into questions of economics, psychology, sociology and politics. It seeks to allow us to understand embodied affective relations in the context of the practices of global governance that reproduce poverty, indebtedness and the creditor industries situated therein. To understand how important debt now is in terms of shaping peoples' lives requires an exploration of the international experiences of debtfare societies that are characterised by racial, gender and class-segregated lending, media constructions, discourses that are mixed and contradictory, discursive violence, extortion, commodification via entertainment, propaganda and home evictions. Debt industries need to be viewed in the context of the politics of radical austerity and where rational-actor models of classical economics are replaced by cultural explanations of social and organisational phenomena. There is a need for suffering and subjective experience to be understood as properties of supraindividual units of analysis that cannot be reduced to the direct consequences of individuals' attributes or motives. In exploring international debt industries, this book is interested in types of actor, organisational form and their relations, the nature of institutional logics and governance structures (Scott, 2004). Here we explore institutions of debt as historically developed patterns of social relations (Avgerou, 2004), and we pay attention to such aspects as the myths and visions that have captured the imagination of its participant actors and the institutional political mechanisms that perpetuate the norms of constituent actors and agencies. In so doing we will be better placed to make sense of the subjugated voices of those in sufferance (Avgerou, 2004).

Austerity, financialisation and serial asset extraction: Understanding institutionalised suffering

In 1986 a financial "Big Bang" linked London and New York, and brought the world's major financial markets into one trading system, thus constituting an integration of global and national financial markets

(Harvey, 2010). Since then we have seen the liberal economies of the global North and South both increasingly characterised by a growing reliance on financial markets and logics. Financial markets have thus come to exercise an increasing influence on political economies and society where firms, households and subjects have been oriented and disciplined by the pursuit of shareholder value (French and Kneale, 2012). Privatisation has swept around the globe in attempts to find more places to put surplus capital (Harvey, 2010). Financialisation, the pattern of accumulation in which profit-making increasingly occurs through financial channels and institutions (rather than trade and commodity production), has become increasingly dominant and enabled by neoliberal regulatory frameworks, apparatuses and organisations (Snider, 2014).

Moreover, we have seen the radical reconstitution of peoples' lives through the dominance of financialisation. One such reconstitution is the movement of personal and public debt to the centre of current economic orthodoxy. Debt is used by international institutions to force through economic policies which act against the interests of ordinary people (Dear et al., 2013) and where capital extraction from financial services institutions that require financial bailouts come with conditions to increase austerity, such as cuts in spending, increases in regressive taxes, privatisation and deregulation.

Part I of this book (chapters 1–5) focuses on the ways in which austerity and financialisation, as political and economic development strategies, have worked in different national contexts to impose a variety of forms of serial asset extraction from both nation states and the populations therein. It lays bare the psychosocial impacts of such regimes on the populations who frequently find themselves dehumanised, excluded, responsabilised and evicted from their homes.

Hodgetts, Garden, Groot and Chamberlain (Chapter 1) open by exploring the way in which personal debt in New Zealand is primarily a means by which the undeserving wealthy extract money from economically vulnerable groups in society. They focus on how debt has been associated with exploitative intergroup relations, increased servitude and the perpetuation of misery among economically vulnerable groups. Their chapter explores aspects of the relationship between 100 families experiencing urban poverty in Auckland, fringe lenders and welfare institutions. In terms of understanding the ways in which subjectivities of debt come to be constituted through particular economic regimes, they show that people who are forced to take on debt are dehumanised through the constructions of debtors as financially

illiterate and frivolous beings who are responsible for their impoverished circumstances.

Cooper and Olson (Chapter 2) then provide a critical overview of the history and ecology of increased debt in the USA, from political economy to individual and community impacts. Their contribution examines US financialisation since the 1980s, and it provides a theoretical framework for understanding how this process has quickly led to radical inequality, the roll-back of public service provision and the explosion of new financial products that drive the financialisation of all aspects of life. It explores how psychological research has made rich contributions to the understanding of how debt impacts individuals and communities. The chapter concludes with a discussion of the role that psychology could play in a push for greater critical consciousness. Following this, Rodik (Chapter 3) places financialisation further under the spotlight by focusing on the impact of the so-called “Swiss francs loans” crisis in Croatia in order to demonstrate a recent case where loans denominated in Swiss francs, and vulnerable to currency fluctuations and high interest, mean that many households now face problems with the repayment of their significant, barely repayable, debt. In August 2011, bank clients with Swiss franc-denominated loans started a non-governmental organisation called Franc Association that, together with the Croatian Alliance for Consumer Protection, filed a lawsuit against the eight largest Croatian banks. The crisis was the subject of intense public debate. This chapter provides a socioeconomic focus on what led so many households into debt-repayment problems and it presents clear quantitative evidence of the impact that the repayment burden has on peoples’ lives.

Ballester, Monferrer, Fernández, González, Jiménez, Martínez, Moulas, Peret and Viano (Chapter 4) use the context of the increasing evictions in Spain to highlight one national example of the impacts of austerity economics as a solution to the structural economic impacts of financialisation. A housing bubble that was rendered invisible by governments and financial institutions and characterised by speculation and limited diversification ended with disastrous consequences for society and especially for the middle classes. This contribution focuses on exposing the various psychological repercussions that overwhelm families who are at risk of eviction, and it locates this suffering within the problematic response of the Spanish state to the post-crash eviction crisis that continues to blight so many lives. It discusses how the combination of limited fundamental human rights, shame, stigmatisation, fuel poverty, child malnutrition and evictions constitute different types

of hidden poverty, but it also outlines a self-managed pilot project that is focused on improving resilience in families facing evictions.

Moving from Spain to Greece, Papamichail and Mizamidis (Chapter 5) use their contribution to further present experiences of indebtedness during an era of extreme austerity in Greece and the impacts on the wellbeing and mental suffering of the population. They employ a number of qualitative in-depth accounts to contribute to the debates about personal lived experiences of austerity regimes, where the extraction of public funds to repay international creditors, as a hallmark of the doctrine of neoliberal financialised economies, is privileged over the lives of stigmatised and suffering people whose structurally induced recourse to personal debt has become a common mode of everyday survival.

The public face of the debt industry: Discourse, propaganda and wellbeing

Relationships of power are manifest in daily life through language forms, myths and symbolic processes, and the professional language of politicians helps to shape public beliefs about what forms of behaviour and knowledge are acceptable (Edelman, 1985). By accepting the need for sophisticated ways through which to understand the operation of complicated social apparatuses (Miller and Rose, 2008, p. 3), Part II (chapters 6–10) explores dominant categories of debt discourse. It examines public discourse and propaganda where the economic endeavours of politicians and corporations are translated into the personal capacities, aspirations and disciplining of subjects. In this way we want not only to frame the way in which debt discourse and propaganda impact the mental life of human beings but also to explore how the complex social apparatuses that work to produce specific types of indebted individual can be contested, resisted and challenged.

Despite clearly instantiated and damaging practices of financialisation in recent years – including selling to poor people mortgages that have been crafted in such a way as to make default if not inevitable then very likely, taking on bets regarding how long it would take holders to default, and the packaging of the mortgage and bet together and selling them to institutional investors (Graeber, 2011) – political discourse about personal debt is still characterised by the dogged neoliberal insistence on unregulated markets and profligate states. Moreover, public constructions of human beings as rational, self-interested actors and the need for responsibilised citizens continue to be dominant. The last 30 years have seen the construction of a vast bureaucratic propaganda

apparatus for the creation and maintenance of hopelessness, personal responsibility and inevitability that has denatured any sense of possible alternative futures to neoliberal hegemony (Graeber, 2011). Part II explores these apparatuses in a range of countries and begins to touch on alternative visions to replace what Bauman (2007) understands as the economics of excess, waste and deception and that facilitates change as an individual project.

By examining dominant accounts of debt, credit and money, and the underlying structural realities, Mark Burton builds upon the accounts of financialisation and austerity in Part I by situating the ideology and propaganda that support austerity policies within the continued rapacious accumulation strategy of transnational capital. His contribution (Chapter 6) explores the human and ecological consequences of the freedom of private financial institutions to create money and explores in detail the general failure to counter the austerity narrative. It finishes by outlining some key priorities and resources for an alternative politics.

Zamperini and Menegatto (Chapter 7) use a critical analysis of the Italian media to focus on how constructions of debt make inseparable the production of the debtor subject and their morality. Public constructions of debt have produced specific morality narratives where the unemployed, users of public services and entire populations come to be responsabilised for the transactions of often distant economic actors and institutions. This contribution looks at how the Italian mass media have been central in privileging sacrifice and guilt as appropriate responses to very specifically constructed discourses of crisis.

Türken, Carlquist and Allen (Chapter 8) then develop some of these themes through the context of televised public entertainment in Norway. Their contribution is a critical analysis that outlines the way in which the relationship between creditors and debtors is fundamentally social and political. It demonstrates how the social and political dimensions feature through an analysis of the Norwegian TV show *Luksesfellen* (The Luxury Trap). The chapter argues that reality TV programmes, or “debt TV”, function as technologies of governmentality that notably produce and reproduce specific narratives that are associated with debt – principally that it is exclusively an individual financial problem, not a social or political one. It demonstrates how debt TV functions to discipline both the participants and, importantly, the audience into more “financially literate” subjects, and by extension more governable citizens.

Following the exposition of financially literate subjects disciplined through reality TV, Akhurst and Lovell (Chapter 9) then further explore

the discourse of financial capability in the UK. They contextualise personal debt within recent political and economic practices that appear to have encouraged international financial institutions to create personal debt. They explore the way in which the individualised discourse of “financial capability” has been constructed by financial services agencies and which ascribes personal debt to individuals’ lack of financial awareness and irresponsibility. Critically scrutinising a tool that is designed to measure “financial capability”, the chapter outlines a community-based project with diverse people who have experienced social and economic exclusion and mental distress in the North East of England. By so doing it critiques the ideas that are embedded in the construct and raises awareness about the systemic character of the debt industry and the need for collective rather than individualised responses.

Hanna, Cunningham and Walker (Chapter 10) offer an account of individual indebtedness which attempts to explore the possibility of seeing debt differently. They draw on Foucault’s understanding of power, knowledge and agency to provide a theoretical account of how individual indebtedness might be seen through an alternative lens. Their contribution draws on data from interviews with a range of stakeholders within the UK debt industry to highlight the “moments of resistance” that were discovered in the interview data in which alternative discourses come to the fore, facilitating an alternative construction of the problem of debt, and subsequently repositioning the “indebted individual” in a more sympathetic position. The chapter concludes by suggesting that attention needs to be paid to challenging banking policies, “educational” initiatives, financial discourses and the individualisation thesis proliferated in much of the mainstream psychology if we are to challenge the entrenched structural precursors of personal debt.

Political histories of personal debt: Managed decline, the debt industry and wellbeing

Wilkinson (2005, p. 18) suggests that “we should liken the injustice of health inequalities to that of a government that executed a significant proportion of its population without cause”. This is because inequality is not a personal quality; rather, it is a quality of a nation state and so is largely determined by political, economic and ideological activity. The ways in which personal debt is integrated into peoples’ psychological states is highly historically and socially structured where those who are trapped in cycles of poorly paid and poor-quality work and unemployment require credit to survive. Over time and across different