DEBT, LAW AND DISCIPLINE

How the capitalist cocktail is becoming Molotovian

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Debt is certainly not a new phenomenon. Debt was widespread in the civilisations of antiquity and during the medieval era. But by the second half of the sixteenth century, a new factor appeared in Western Europe: interest-bearing loans started to be legalized and strictly enforced. The morality of charging an interest was relegated to individual conscience and the state began to actively protect credit contracts. As a result, interest-bearing loans expanded dramatically. The credit engine was launched – largely unintentionally – and it never stopped.

Generalized indebtedness seems thus to correlate with the birth and spread of capitalism. What are the implications? Well, the implications are far-reaching. I would identify four broad categories of consequences[1]. Credit and debt have not only been a key factor behind *social differentiation* through the control of land, labour and capital (consequence 1); they have also fostered *market discipline* by forcing borrowers to calculate, pay, trade, work, intensify – a process that generates pressures for economic growth, short-termism and cost-cutting innovations (consequence 2). In parallel, the credit/debt couple has also acted as an acid *dissolving traditional community bonds and undermining environmental conditions* (consequences 3) and it can be seen, overall,

1. Gerber, J. F. (2014). The role of rural indebtedness in the evolution of capitalism. *Journal of Peasant Studies*, 41(5), 729-747.

as a powerful mechanism *shaping the evolution of capitalism* (consequence 4).

Let's briefly focus on the last consequence, specifically how debt supported the development and reinforcement of the legal apparatus of the state. The initial early modern expansion of credit correlates with an equally dramatic boom of debt litigations in local courts, and formal bankruptcy proceedings started to be applied widely[1]. Later on, however, rates of litigation declined as the individuals' skills and way of thinking became better adapted to the management of credit[2], highlighting how credit shaped the 'spirit' of capitalism.

Simultaneously, the early modern credit boom also shaped the legal system itself. Creditors continuously pushed for legal reforms to strengthen their position and facilitate law enforcement: "From 1540 to the early eighteenth century, the authority of the state grew because of the demand on the part of private civil disputants who required a reservoir of authority to mediate and resolve their many [debt-related] disputes".[3] Accordingly, legal institutions have been gradually transformed to the benefit of more secured credit relations. The mutuality of exchange relations diminished over time and there was a general shift, in the seventeenth century, from informal to formal credit.

In line with this, David Graeber argued that over time the imprecise and community-building indebtedness of 'human economies' has been replaced by quantified and atomising debts, largely through the introduction of state-backed violence.[4] Debt has thus very different meanings in a 'human economy' as in a state-enforced market economy. In the former, debt was indistinguishable from morality insofar as those economies are based on mutuality. Payment, in this context, is ironically the ending of a social

1. Muldrew, C. (2016). *The economy of obligation: the culture of credit and social relations in early modern England*. Springer.
2. Finn, M. C. (2003). *The character of credit: personal debt in English culture, 1740-1914 (Vol. 1)*. Cambridge University Press.
3. Muldrew, C. (2016), *op. cit.*, p. 331
4. Graeber, D. (2012). *Debt: The first 5000 years*. Penguin UK.

relationship, and debt is not immoral or synonymous with shame or guilt, but the very foundation of society.

Credit and debt thus constituted a major mechanism by which capitalism reshaped the political and legal institutions in the early modern and modern period. It played a particularly important role in the shift from the feudal conventions of social obligations to the capitalist conceptions of contractual enforcement – that is, from 'status' to 'contract'.

These processes haven't come to an end, and no one really knows where they will lead us. Debt continues to expand – to unprecedented levels – and to intensify discipline, sometimes under the names of 'austerity' or 'structural adjustment', be it at the individual, firm or national level. For Maurizio Lazzarato, debt is at the very heart of the neoliberal project and has virtually reached every corner of the (industrialised) world. Bankers are now more powerful than industrial capitalists, and even more powerful than governments. He argued that a new debt-driven proletarianisation has taken place since the 1980s, reinforcing the key function of debt as a control and disciplinary device which largely occurs at a 'subjective' (internalised) level through the new neoliberal ethics of existing as 'human capital', as an 'entrepreneur of the self' (in Foucault's words).[1]

The creditor-debtor relationship is indeed 'exterior' (involving contracts, law, enforcement) as much as it is 'interior' (involving values, ethics, emotions). Interiorly, the relationship is typically framed in terms of personal responsibility when the contract is signed. The notion of 'creditworthiness' is intimately linked to central values – 'trustworthiness', 'honesty' – that we have learned to respect since a very young age. Unsurprisingly, then, defaulting debtors are more likely to experience very low self-esteem and poor mental health. Psychiatric studies of debt have been booming over the past five years. Deteriorating personal relationships,

1. Lazzarato, M. (2012). *The making of the indebted man: An essay on the neoliberal condition.*

insomnia, anxiety, depression and suicides are not uncommon among debtors and an overview demonstrated “serious health effects related to indebtedness”.[1]

In some ways, one could argue that the neoliberal counter-revolution became too ‘successful’. As inequalities grew and public services shrunk, the capitalists had no other choice but to lend larger parts of their astronomical surpluses to the working class (and to students) in order to relaunch consumption, avoid recession, and also exploit workers twice – through wages and through interest. Maurizio Lazzarato argued that one consequence of this expansion of credit was that the class struggle has slowly shifted its centre of gravity from the capital-labour relation to the creditor-debtor relation.

But what is the actual extend of anti-debt struggles? In a study related to my ISRF Early Career Fellowship, we offer a preliminary global overview of social mobilisations against private debts drawing on the most exhaustive database compiled to date (67 cases).[2] Our worldwide database starts in 14th-century northern Italy, the birthplace of the ‘commercial revolution’ and a region witnessing high levels of rural indebtedness. As we advance in time, more debt revolts are recorded. This increase in debt struggles could be the result of the combined effect of better coverage and larger overall indebtedness. The frequency of such resistances has even augmented after the global financial crisis of 2007-2008. If this general trend is confirmed, we can infer that the 21st century could be the century of anti-debt struggles.

We find that anti-debt struggles have contested various aspects of the creditor-debtor relation and involved different social classes with various political objectives, ranging from populist-opportunistic to radical-revolutionary. The majority of our cases

1. Turunen, E., & Hiilamo, H. (2014). Health effects of indebtedness: a systematic review. *BMC public health*, 14(1), 489.
2. Gerber, Julien-François, Tsegaye Moreda & Christina Sathyamala (2018) The euthanasia of the rentier: A global overview of resistances against private debts, 1300-2018. *Journal of Peasant Studies*, submitted.

come from members of lower classes, however, for whom credit is a fundamental albeit dangerous 'last resort' (or 'safety net') when the compulsory payments are no longer immediately possible. This is observable in ancient agrarian economies as well as in contemporary industrial America. In 2012 for example, "40 percent of indebted [U.S.] households used credit cards to pay for basic living expenses such as rent or mortgage payments, groceries, utilities, or insurance, [...] because they did not have enough money in their checking or savings accounts".[1]

Indebtedness – and the struggles that go with it – must always be understood within their broader politico-institutional context. In the U.K. for instance, Will Davies and his colleagues found that "[t]here is a clear link between a lack of social safety net and borrowing in times of personal/family crisis. This [...] poses a direct challenge to policy narratives which seek to individualise debt as a personal problem".[2]

The simultaneous necessity and burden of the credit/debt couple explains why it is politically inflammable, and probably increasingly so as economies continue to financialise. At the same time, the frequent harsh repression of anti-debt protests – seen as a threat to the very foundation of capitalism – and the particular subjectivity associated with debt have also deterred mobilisations.

Debt cancellations, progressive tax reforms, and the (re)creation of social security are all crucial reforms to be pursued in the short run. These policies will only be possible if the pressure of ant-debt movements increases, which doesn't seem too unlikely.

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1. Traub, A., & Ruetschlin, C. (2012). The plastic safety net: Findings from the 2012 national survey on credit card debt of low-and middle-income households. *New York: Demos*. Retrieved November, 13, 2014.
2. Davies, W., Montgomerie, J., & Wallin, S. (2015). *Financial Melancholia: Mental health and indebtedness*, p. 5.