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**Political
Economy
Research
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*Financial
Melancholia:
Mental Health
and Indebtedness*

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Financial Melancholia: Mental Health and Indebtedness

By Will Davies, Johnna Montgomerie, and Sara Wallin

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Executive summary

The rise of mental health problems such as depression cannot be understood in narrowly medical terms, but instead needs to be understood in its political-economic context. An economy driven by debt (and prone to problem debt at the level of households) will have a predisposition towards rising rates of depression.

Quantitative evidence (reviewed in Section 2) demonstrates the influence of inequality on rising levels of household debt and depression. There is also copious quantitative evidence (reviewed in Section 3) indicating causal links between debt and mental health problems. However, the complexity of the interrelations means that efforts to isolate causal mechanisms cannot succeed.

Our research looks beyond the statistics to understand how individuals describe the experience of being deeply in debt and the related health and social problems that this involves. It explores primary evidence from online peer-to-peer (P2P) forums through which people with chronic debt problems share their experiences and offer support to each other.

Key Findings

People struggling with debt seek advice from their peers and demonstrate that they are responsible and willing to take necessary action; this runs contrary to policy narratives of the over-indebted as 'in denial' or lacking financial capabilities.

Financial Melancholia foregrounds the narratives of the indebted to interpret how being trapped by past debts through present-day repayment obligations manifests as psychological and sociological problems of indebtedness.

Indebtedness is visible as mental and physical illness at the individual level and emotional turmoil of chronic stress and anxiety at the household level; together, these foster an unhappy economy at the societal level.

Typically, the origin of problem debts is an external shock – from a minor mishap or single loan agreement to a job loss or illness in the family – which snowballs over time.

There is a clear link between a lack of social safety net and borrowing in times of personal/family crisis. This confirms existing empirical evidence and poses a direct challenge to policy narratives which seek to individualise debt as a personal problem.

There is a paradox regarding coping with debt: Individual efforts to take complete responsibility for it lead to manic, unrealistic dreams of escape (sometimes manifesting in further spending), whereas successful strategies involve seeking help and sympathy from others. Individualised perspectives on debt are part of the problem, not the solution.

These findings point to the much wider problem that widespread household indebtedness ties people to the past in ways which are not well understood. This is

relevant because of the current policy context which seeks to promote positive psychology techniques to get people off benefits and into the labour market; we ask how living in a 'depressed' or 'unhappy' economy can be made visible when looking at everyday life. Contrary to popular belief, we find little evidence that indebted households are less responsible in their spending habits or management of their accumulated debts.

Our analysis of those living with debt and depression suggests that, unless policymakers learn to empathise with those struggling with entrenched financial and psychological problems, attempts at 'behavioural activation' (via approaches like cognitive behavioural therapy [CBT]) will fail. Depressed individuals already feel responsible for their own poverty and failure, but the government is only offering attempts to inculcate even greater personal responsibility.

Foreword

Andrew Samuels - Professor of Analytical Psychology, University of Essex

It is hard to write with confidence about the impact of 'mental illness' on economic and social behaviour, not least because the causal line often reverses the simple illness-leads-to-social-problem version. This version is beloved of the media and tough-hearted politicians because it stigmatises and discredits the poor and disguises what Erving Goffman called the 'discredibility' of everyone else.

At the same time, we have to accept that it may be even harder to write on ways in which the economic and social spheres touch the soul, although most of us have experienced this to varying degrees. In the context of debt and its ramifications, the whole thing is further complexified by individual and family differences within a single society.

One of the more challenging discoveries of this report is that, if there is 'mania' in relation to debt, then it is to be found in the attempts to recover from debt rather than in the behaviours that led people into it. We have seen this – the mania of the solution – in the collective sphere as well: Ever wilder propositions with dubious chances of success are advanced by huge international lenders as they struggle to comprehend Greece's situation (as of this writing on June 30, 2015).

Care needs to be taken when applying ideas and concepts from depth psychologies, such as psychoanalysis and Jungian analysis, to pressing public problematics. The challenge is to avoid psychological reductionism, which would simply represent a progressive version of seeing poverty and debt as solely personal responsibility. The authors of this document avoid this trap, as far as I can tell, and their working of the debt–depression theme stands as an exemplary usage of a body of knowledge which clearly carries a profound interpretive potential that, all too often, is not realised.

The main features of depression, as I was always taught, and as I understand it to this day, are delusional self-reproach followed by retardation and paralysis of thought and action. In family-bound psychoanalytic understanding, the self-reproach arises in connection with fantasies of having damaged the disappointing and hence hateful mother that one also loves and needs. The conflict of hate and love leads to guilt and self-reproach. To be honest, this formulation is even more applicable when it comes to ecological despoliation than in relation to debt. You love and need the earth but you, as part of humanity, have damaged it – and hence get into a degree of self-reproach and a feeling of helplessness.

Returning to debt and depression, it is the concomitant retardation and paralysis of thought and action which is of interest in collective and public adaptations of psychoanalytic thinking, such as in the present report. The verbatim accounts in the report, taken from an array of websites, show how hard it is for the indebted to think, and that it is even harder to act. The writers are fuelled by an intense sense of failure for which they blame themselves. But it is not all self-flagellation. The 'disappointing mother' comes back into the picture when people in financial straits say that it is 'just not fair'. People are cross with 'her', meaning the chimeric system in which they live.

Earlier, I mentioned individual and family differences when it comes to debt; this also applies to the whole question of money, but is viewed in this reading as a developmental phenomenon. People have a 'money history', referring to how they experienced money in their families and communities of origin. Who had the money, and who decided how to use it? Were there gender differences to think about? Do we maybe need to think in terms of 'financial literacy', to be set alongside the better known emotional literacy?

My enquiries into these matters led me to postulate the existence of a kind of 'economic sadism' in which there is a frank excitement to be found in the idea of privilege and of doing well (particularly, doing better than their parents)¹. Like any sadism, economic sadism is contagious – and the desire to dominate and hurt others does lead some people to take on debts. They need to control, dominate and subdue the other(s) as much as they need to take care of them.

Hybrid languages are required to discuss these themes in a constructive manner. Otherwise, we'll just lump together 'austerity' and 'suicide' and proclaim 'job done'. To make such bald statements and not follow through leaves the field to those who seek to deploy coaching, positive psychology, neurolinguistic programming and medication to psychologise social suffering. Such allegedly therapeutic activities intend to make people believe they will, with help from state therapy, take one mighty bound and be free of the traps of debt, poverty, unemployment and disability. Then they can (re)join the rest of us.

I will close with two thoughts. The first is that depression is not, in itself, all bad. It is horrid whilst one is in it, but we know from therapy that a depression often works like a damming up of creative energy, and in time, new ideas and solutions appear. This is what artists have told us as well. Maybe the one with the debts may be viewed as a kind of artist, for creative ingenuity is what it takes to survive.

The other thought is intended to be a background idea. People get into debt, in part, because of a promise that what is wanted will be obtained. The mantra is 'more is more'. But sometimes sacrifice is a useful idea, for individuals and collectives/nations. It is worth considering as a means of negotiating and saying 'no' to the soul-free zone to which neoliberalism has presently reduced Western countries. In depth psychology, sacrifice is often seen as making room for fresh responses to problematic situations to emerge. It might be objected here that it is all very well proposing sacrifice to the rich, and especially to those who have inherited wealth. What about the less well-off? But what I am talking about is *a sacrifice that takes place in the mind*, consciously eschewing, defying and rebelling against the financial and material expectations with which our culture and our state seduce us.

¹ Samuels, A. (2014). Economics, psychotherapy and politics. *International Review of Sociology*, 24(1), 77–90.

1: Introduction

'Nothing that the doctor can do except diagnose me with moderate depression, anxiety, stress, etc. and give me sick notes. Seeing a counsellor and various other medics, but fundamentally the money side isn't their problem, is it?' (CAG)

Capitalism is a political–economic system built upon explicit relationships to the past and the future simultaneously. This yields some contradictory economic and psychological tendencies, as individuals and institutions are torn between hopes for the future and bonds to the past. At different historical junctures, capitalism can tip too far in one or the other direction, either becoming excessively exuberant regarding prospects for future growth and innovation, or conversely, stuck in a period of stagnation. These different systemic pathologies also register on a human level, in the experiences and problems faced by individuals.

The dynamism and productivity growth of capitalism is fuelled by a spirit of optimistic modernisation, to the effect that the future will be different from the present. The capacity to convert plans into different futures, backed by investment, is the characteristic of entrepreneurship. At a personal level, the view of individuals as 'human capital' to be invested in, optimised and augmented requires a similar ethos, which helps to explain why 'positive thinking' has acquired the influence that it has².

At the same time, unconstrained optimism – characterised as 'animal spirits', 'manias' and 'irrational exuberance' – is also implicated in speculative bubbles and financial crises³. Such crises debunk the myth of markets as rational and efficient allocators of resources. The corollary to this is that 'positive thinking' may be equally dangerous to the sustainability of individual 'human capital' if taken to extremes, thereby producing its own manias⁴.

Capitalism also relies on moral obligations to the past in the form of debt repayments. This involves a very different type of psychology and political economy. Where debts build up beyond a certain point, economic activity becomes locked into a perpetual repetition, aimed at honouring commitments to the past. At a national level, this trap can be witnessed in cases such as Greece, where the policies imposed by creditors were famously described by the Greek finance minister as a form of 'fiscal waterboarding'. And at an individual level, it is manifest in the depressive psychology and behaviour that we explore in this report.

² Binkley, S. (2015). *Happiness as enterprise*. SUNY Press; Davies, W. (2015). The corruption of happiness. openDemocracy. Retrieved from <https://www.opendemocracy.net/transformation/william-davies/corruption-of-happiness>

³ Keynes, J. M. (2006). *General theory of employment, interest and money*. Atlantic Publishers; Kindleberger, C. P. (2000). *Manias, panics, and crashes: A history of financial crises* (Vol. 4). New York: John Wiley and Sons; Shiller, R. (2000). *Irrational exuberance*. Princeton University Press.

⁴ Ehrenreich, B. (2010). *Smile or die: How positive thinking fooled America and the world*. Granta Books.

The past is devouring the future

Various political–economic factors are at play today, the result of which is that the depressive, rear-facing spirit of capitalism is currently placing a drag on progress. Some of these factors are captured by the term ‘financialisation’, which refers to the ways in which the financial sector has come to dominate the non-financial economy and extract a greater share of net profits⁵. Combined with this is a lurking fear that capitalism’s capacity for technological renewal or self-transformation has reached an endpoint, or at least a lengthy pause⁶. One interpretation of financialisation is that Anglo-American capitalism never successfully overcame its crisis of the 1970s, and has been simply delaying the moment of reckoning ever since⁷.

Without new technologies or productive innovations to support, the creation and securitisation of debts becomes an increasingly important source of profit for the financial services sector. Seven years after the 2008 financial crisis, it is clear that whatever lessons were learned, the Anglo-American model of financialisation – founded on bank-based credit creation fuelling asset bubbles with household debt driving economic activity – is still firmly entrenched, despite the fact that its fatal flaws are known⁸.

In the United States and United Kingdom, it is widely acknowledged that the household debt overhang cultivated during the boom years generates a persistent drag on economic renewal. This is compounded by continued austerity which relies on the simultaneous deleveraging (paying down debts) of both the public and the household sectors.⁹ Even achieving the current fragile ‘recovery’ took longer than the recovery from the Great Depression¹⁰. Worse still, both the United States and United Kingdom are measuring negative inflation rates, meaning they now face the great unknown future of

⁵ Krippner, G. (2012). *Capitalizing on crisis: The political origins of the rise of finance*. Harvard University Press.

⁶ See Haldane, A. (2015, February). Growing fast and slow. Speech presented

⁷ Brenner, R. (2003). *The boom and the bubble: The US in the world economy*. Verso; Streeck, W. (2013). *Buying time: The delayed crisis of democratic capitalism*. Verso.

⁸ Montgomerie, J., Packman, C., Deville, J., Stanley, L., Simpson, A., & Warren, G. (2014). The politics of indebtedness in the UK: A public interest report. Goldsmiths University of London; Sayer, A. (2014). *Why we can't afford the rich*. Policy Press; Bowman, A., Froud, J., Joha, S., Law, J., Leaver, A., Moran, M., & Williams, K. (2014). *The end of the experiment?* Manchester University Press; Hay, C. (2013). *The failure of Anglo-liberal capitalism*. Palgrave.

⁹ Koo, R. C. (2014). *The Escape from Balance Sheet Recession and the QE Trap: A Hazardous Road for the World Economy*. John Wiley & Sons. K. Blacklock and M. Whittaker (2014) Hangover cure: dealing with the household debt overhang as interest rates rise, Resolution Foundation, available at: <http://www.resolutionfoundation.org/wp-content/uploads/2014/07/Hangover-cure-dealing-with-the-household-debt-overhang-as-interest-rates-rise.pdf>

¹⁰ Gamble, A. (2014). *Crisis without end? The unravelling of Western prosperity*. Palgrave Macmillan; Krugman, P. R. (2012). *End this depression now*. W.W. Norton and Company.

‘debt deflation’¹¹. As we shall show, rising indebtedness – especially at a household level – is one of the most striking features of Western economies today, particularly in the Anglo-American heartland of financialisation.

Viewed politically and psychologically, the growth of debt in our society has the effect of snuffing out hopes that the future may be any different from the present¹². Past decisions, past investments, past consumption and past pleasures all continue to haunt the present in the form of debt obligations. They might be regretted, but they are not easily thrown off. Collective and individual agency are constrained, suggesting that the logic of debt is as political as it is economic¹³.

Historically, institutions have been introduced which set a limit to the bonds of debt. Usury laws sought to ensure that lending would not be exploitative. Bankruptcy and limited liability, celebrated by enthusiasts for the dynamism of capitalism, draw a line under past mistakes, and allow a fresh start. But one of the symptoms of contemporary financialisation is that usury laws are abandoned and responsibility for debts is upheld at virtually all costs, even to the point of obstructing economic growth. Very low – even negative – real interest rates ensure lenders a sizable profit margin on loans; at the same time, they ensure that bankruptcy and default is kept to a minimum. Together, these processes strengthen the debt trap, resulting in economic stagnation.

Economic inequality exacerbates these political and psychological trends, reducing the capacity for change and lengthening the shadow of the past. Thomas Piketty’s landmark *Capital in the Twenty-First Century* shows how the progressive build-up of private capital, relative to collective output, increases the influence of inherited wealth¹⁴. Unearned income grows faster than earned income, and the capacity for individuals or governments to alter the existing distribution of resources or opportunities goes into decline. In Piketty’s words, ‘the past devours the future’.

These trends are damaging for national economic growth and quality of life. But they also yield their own specific psychological and personal injuries, especially for those who are also afflicted by precarious work, poverty and other disadvantages, such as disability. For those who live every day feeling trapped by debts built up over several years, often with great feelings of shame and guilt, financialisation is often experienced as a prison. What can make it psychologically worse than an actual prison is the knowledge that they entered into it freely through their own past choices.

This report seeks to unpack and make visible the human experience of financial crises and persistent economic stagnation. We do this by analysing two of the defining social

¹¹ Pettifor, A. (2014). *Just money: How society can break the despotic power of finance*. Commonwealth Publishing; Keen, S. (2013). A monetary Minsky model of the Great Moderation and the Great Recession. *Journal of Economic Behavior & Organization*, 86, 221–235.

¹² Davies, W. (2014). Recovering the future: The reinvention of ‘social law’. *Juncture*. Retrieved from <http://www.ippr.org/juncture/recovering-the-future-the-reinvention-of-social-law>

¹³ Lazzarato, M. (2012). *The making of the indebted man: An essay on the neoliberal condition*. MIT Press.

¹⁴ Piketty, T. (2014). *Capital in the twenty-first century*. Harvard University Press.

and economic problems of our age, namely mental health problems and personal indebtedness.

Financial melancholia as lived experience of indebtedness

The term 'financial melancholia' here refers to the psychological syndrome of being trapped by past debt obligations. In many respects, this can be identified as 'depression', inasmuch as depression can manifest itself in a sense of powerlessness, inadequacy, heightened responsibility for one's own failures (and for those of others) and a general inability to act deliberately towards the future. Sigmund Freud's theory of melancholia is adopted to conceptualise how individuals become unable to detach themselves from something or someone in their past¹⁵. Rather than 'mourn' the past (and accept its irretrievability), they feel bound to and responsible for it.

Psychiatrists understood depression in such psychoanalytical terms until the 1960s. However, since the spread of antidepressants in the 1980s and the rise of positive psychology, depression has been reconceived as a neurological, cognitive or behavioural defect to be diagnosed, measured and treated rather than understood in terms of the life story or social circumstances of the sufferer¹⁶. It registers in the findings of happiness economists, raising concern that depressed individuals are less economically active.

Techniques such as cognitive behavioural therapy (CBT) seek ways of re-activating depressed individuals, with advice on how to change their thoughts and behaviours in future, but without reflecting on the underlying sources of unhappiness in the past. If there are tangible reasons *why* someone is tied to the past, such as debt, these cannot be addressed by positive thinking methods such as CBT.

Methodologically, we explore financial melancholia via the rich qualitative data available on online peer-to-peer (P2P) forums dedicated to dealing with debt issues. Drawing on Joe Deville's *Lived Economies of Default*, we extend the analysis of online forums developed in Montgomerie et al.'s *Politics of Indebtedness* report to foster a unique method of exploring the sociocultural bonds between debt and depression¹⁷. Our aim is to foreground the human voice to explain the daily realities of indebtedness. There is already ample quantitative and qualitative evidence that defines, measures and establishes causal relationships between debt and mental health. However, despite the existence of this evidence, scant attention has been paid to the real human suffering of debt, and as a result, the capacity for empathy and action are muted by regression analyses.

Online forums are like un-moderated focus groups which highlight processes of

¹⁵ Freud, S. (2005). *On Murder, Mourning & Melancholia*. Penguin.

¹⁶ Ehrenberg, A. (2010). *The weariness of the self: Diagnosing the history of depression in the contemporary age*. McGill-Queen's University Press; Horwitz, A., & Wakefield, J. (2007). *The loss of sadness: How psychiatry transformed normal sorrow into depressive disorder*. Oxford University Press; Leader, D. (2008). *The new black: Mourning, melancholia and depression*. Hamish Hamilton.

¹⁷ Montgomerie, J., Packman, C., Deville, J., Stanley, L., Simpson, A., & Warren, G. (2014). *The politics of indebtedness in the UK: A public interest report*. Goldsmiths University of London.

collective meaning making.¹⁸ Digital forums offer a unique and underused source of information to explore the everyday practices of indebtedness. Importantly, online forums are public and provide a valuable resource not only for those who contribute and engage directly with one another, but also for those who simply read them but never log in or create a user name. P2P forums provide a platform for the human voice to articulate the multifaceted ways in which individuals navigate the protracted personal and societal processes of dealing with debt.

The first step in this work was selecting which forums to analyse, given the very large number dealing with every manner of issue related to debt, indebtedness, debt management, stress and anxiety, bankruptcy and so on. We analysed four forums which are part of a larger group of forums – what we term ‘sub-forums’ – used by debtors to discuss their issues. Each sub-forum is diverse, providing unique value for its members. In particular, we looked at the Consumer Action Group (CAG), Money Saving Expert (MSE) and Mumsnet. From each of these, we analysed subsections (including specific sub-forums) which reflected the diverse ways in which debtors use these online spaces.

Peer-to-Peer Forums: sampling different debtor discussions

Consumer Action Group (CAG) was set up in 2006 to support challenge to banks levying unfair charges, *Debt* sub-forum: “getting out of debt”. A long thread (starting in 2008) on the emotional and health impacts of debt.

Money Saving Expert (MSE) set up by journalist Martin Lewis as finance and consumer advice website, *Debt-free wannabe* sub-forum. A general sub-forum dedicated to those who wish to get out of debt where ‘posters’ ask for advice or updates on the ‘debt-free journey’.

Mumsnet, is a peer-to-peer space for mothers to exchange information and experiences of motherhood and raising a family, *Debt thread* is a sub-forum, but general thread on getting out of debt. It is a single (extremely) long thread and is described as a place ‘for those who feel they are drowning and want a way out’.

The research is based on a single exploratory research question, as follows: What do these online forums say about the impact of debt on mental health? To reflect this, we developed a qualitative research design in part influenced by research into online forums for mental health issues¹⁹. We captured a snapshot of up to the first 40 threads, sorted by latest post, from April 1–May 1, 2014, and again in 2015. For Mumsnet, in lieu of different sub-forums, we sampled the latest Debt thread, coding the first 1,000

¹⁸ Moloney, M. F., Dietrich, A. S., Strickland, O., & Myerburg, S. (2003). Using Internet forums as virtual focus groups. *Advances in Nursing Science*, 26, 274–286; Holtz, P., Kronberger, N., & Wagner, W. (2012). Analyzing Internet forums: A practical guide. *Journal of Media Psychology: Theories, Methods, and Applications*, 24(2), 56.

¹⁹Marra, R. M., Moore, J. L., & Klimczak, A. K. (2004). Content analysis of online discussion forums: A comparative analysis of protocols. *Educational Technology Research and Development*, 52(2), 35–51; Seale, C., Ziebland, S., & Chararis-Black, J. (2006). Gender, cancer experience and internet use: A comparative keyword analysis of interviews and online cancer support groups. *Social Science & Medicine*, 62(10), 2577–2590.

reference points over both time periods.

The resulting data were coded in line with the research question and based on reading through the corpus in its entirety in order to build further provisional themes. Three key themes emerged in particular, as follows:

The downward spiral of health and debt: Many of the posts on the forums relayed a narrative in which unexpected life events, such as becoming ill or losing one's job, led the individual to take on debt or to lose the ability to repay existing debt. In turn, the decline in physical health, the loss of income and the pressures of repaying debts contributed to feelings of entrapment and depression.

The psychological injuries of debt: The analysis found three major linkages between indebtedness and mental health. First, many posters described enhanced feelings of guilt, shame and anxiety as a result of incurring debts. Second, people with a diagnosed or a self-diagnosed mental health problem discussed how these conditions contributed to their incurring problem debt, made it more difficult to repay their debts (for example by dealing with creditors and debt collectors) and often how this cycle made their condition worse. The third type of effect was seen in terms of how indebtedness can have damaging effects one's relationships and family life.

Repaying one's debt is not necessarily empowering: Many participants in the forums described their journey toward becoming debt-free, where repaying debt took over their daily life. Such a process is often difficult, with posters either seeking to manage every aspect of their and often their families' expenses and lifestyle or giving over control to external parties.

This method suggested that only an interdisciplinary approach, including both quantitative and qualitative data, can adequately elucidate financial melancholia. Here we use spontaneous collective conversations as the 'testimony' of different individuals' thoughts and experiences. It is crucial that the narratives of the indebted are taken into account if we are to understand how financialisation succeeds in trapping people into depressive, seemingly permanent situations.

Although the forums are in the public domain, the use of such data raises ethical questions because the people using them are not necessarily aware that their posts may be employed for research purposes. Therefore, throughout this report, we have chosen to anonymise the posts, including only a note on the forum in which they were found, and no information which would allow the poster to be identified. We have chosen to exclude the title of the specific thread.

On the other hand, the thread titles are compelling and can give important context to the discussions taking place on the forum. Some threads are titled with simple words, such as 'debt' or 'dealing with debt collectors'. Other titles express the acute sense of distress and anxiety felt by the poster, for example, 'feels like there is only one way out', 'harassed by telephone calls at home and at work...doing my head in' or 'debt is making me ill'.

These evocative thread titles, and the rich detail found in the content of forum posts are an underused resource in the study of the wider impacts of debt. By studying online P2P debt support forums alongside a political economic analysis of debt, we aim to move beyond a merely economic, behavioural and statistical view of mental health problems, 'happiness' or 'wellbeing'.

Financial melancholia is never a simply medical, psychological or behavioural problem, but a state of being and feeling trapped by financial obligations which can destroy the very capacity for happiness and family cohesion that politicians are currently so keen to promote. The only way to account for the complexity of this trap is to start taking seriously the narratives of those who have fallen into it, often through relatively minor past mishaps or mistakes.

2: Parallel political economies of debt and depression

'I gave up my employed job about a year ago after being signed off with depression for a few months; this was shortly after being made redundant position. I didn't want to give in so I became self-employed, and you can see from my thread on here what a state I'm in now'. (CAG)

We start by offering a political-economic overview of the parallel increases of debt and depression, drawing on economic evidence. The thread running through this is the issue of inequality and how it is effectively de-politicised when debt and mental health problems are pathologised as a personal frailty or failing. Rising inequality, combined with a contracting social safety net, heightens the financial and psychological pressures placed on individuals to take responsibility for their own fates, including the contingencies which arise in their lives and those of their families.

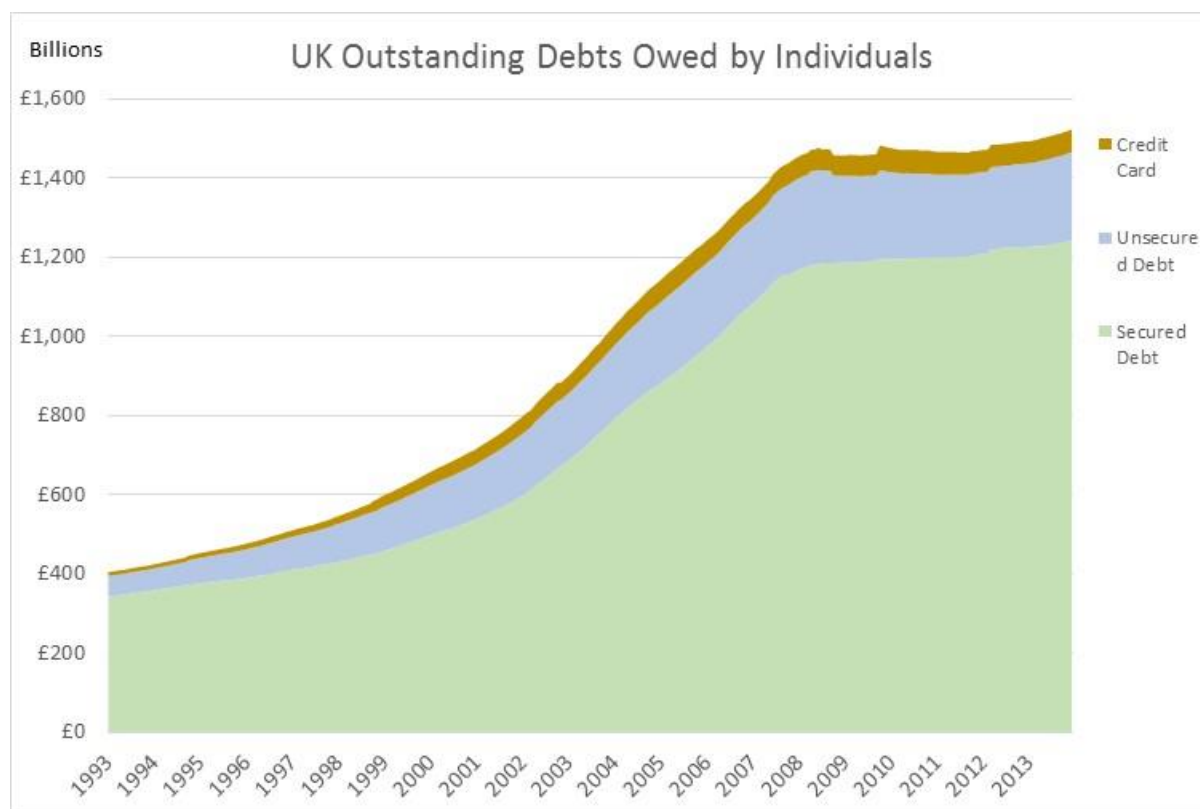
The political economy of debt

Figure 1 clearly shows the rapid and sharp increase in debt levels of individuals, or the household sector, in the United Kingdom. In 1993, total debt outstanding measured £400 billion; it then began to rise very sharply in the late 1990s and levelled off when the credit crunch began in 2007, reaching a new peak in 2014 at £1.5 trillion. Currently, the household debt-to-gross domestic product (GDP) ratio is 150%, meaning that the current 'stock' of debt is more than the value of the entire output of the economy.

The Financial Conduct Authority (FCA) claims that 1.8 million people in the United Kingdom are in 'debt denial', on top of the almost 9 million people – 18% of the UK population – who can be classed as 'over-indebted'²⁰. Interestingly, in the most recent budget in March 2015, the Office of Budget Responsibility tied the projections of economic recovery to the debt-to-GDP growing sharply to over 170% by 2019 (Chart 3.31).

²⁰ Financial Conduct Authority (2014) Consumer Credit and consumers in vulnerable circumstances. See also: National Audit Office, Business Innovation and Skills (2014): Helping over-indebted consumers <http://www.nao.org.uk/report/helping-over-indebted-consumers/#> (Accessed 20/11/ 2014)

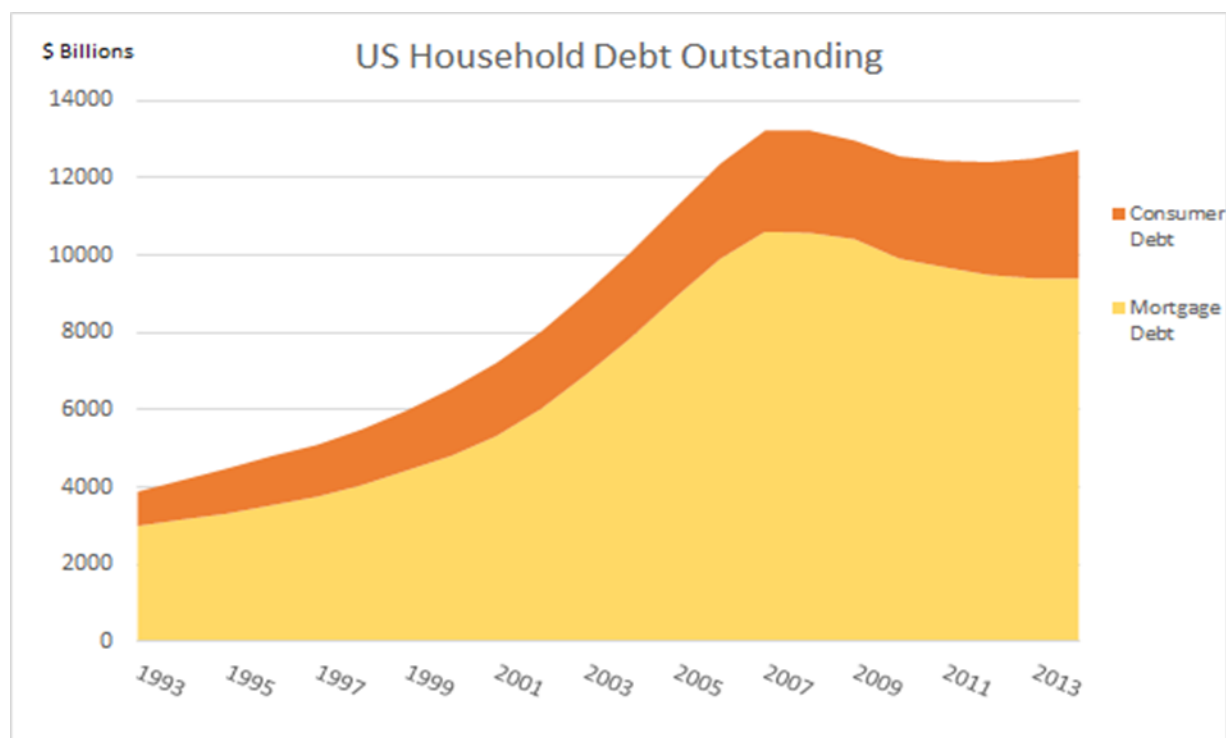
Figure 1. UK total outstanding debts 1993–2014



Source: Bank of England, seasonally adjusted, nominal pound sterling

Figures from the United States exhibit a remarkably similar trajectory for the same types of debt over the same period. Debt levels began a sharp upward trajectory from the late-1990s onward; they levelled off in the immediate aftermath of the financial crisis only to begin to climbing upward again. Total household debt outstanding was \$420 billion in 1993, surpassing \$1 trillion in just a decade in 2004 and peaking at \$1.4 trillion in 2008. Importantly, these figures are the ‘stock’ of debt held by households; in other words, today’s amount represents what must be paid in the future, so if this figure is growing, it means that more is being accumulated on top of what is already owed.

Figure 2. US debt outstanding in the household sector



Source: Flow of Funds, NSA, nominal dollars

Unpacking the aggregate figures shows that in debt, like in income and wealth, there are pronounced inequalities between the top-end and middle to lower ends of the distribution. We can see how quickly overall debt increased during the boom years of 1997–2007; even during good years, one-third of households reported using credit cards to cover basic living expenses during four out of twelve months on average²¹.

In 2014, US think-tank Demos found that among similarly situated low- and middle-income households of working age, factors like education, value of assets to fall back on, insurance coverage and whether a household member has lost a job are amongst the foremost predictors of whether a household will become indebted²². In the United Kingdom, the Money Advice Service found that in households with an average income, families with children and people in full-time work were those with most risks associated with indebtedness²³.

It is now clear that many households borrow because it is a necessity, not an option²⁴.

²¹ Wheary, J., & Draut, T. (2005). *The plastic safety net: The reality behind debt in America*. Demos.

²² Traub, A. (2014). Debt disparity: What drives credit card debt in America. Demos. Retrieved from <http://www.demos.org/publication/debt-disparity-what-drives-credit-card-debt-america>

²³ Money Advice Service (2013). *Indebted lives: The complexities of life in debt*. London: Money Advice Service. Retrieved from <https://www.moneyadviceservice.org.uk/files/indebted-lives-the-complexities-of-life-in-debt-november-2013-v3.pdf>

²⁴ Draut, T. (2006). *Strapped: Why America's 20- and 30-somethings can't get ahead*. Doubleday.

Debt is now the main safety-net for households to cope with unexpected events or emergency; it is the only available resource to get through difficult times²⁵. The most recent UK study found that four factors trigger debt problems, as follows: a drop in income (32.5%), change in circumstances (28.5%), increased outgoings (20%) and overspending (15%)²⁶. Job loss is the biggest cause of a drop in income; households use debt to cope with this²⁷. According to StepChange, self-employed clients have by far the highest level of average unsecured debt (£24,328)²⁸. Changes in circumstances typically relate to a family member falling ill, divorce, an elderly parent needing additional care or the arrival of a new baby²⁹.

Importantly, debts are rising more quickly for young people compared to other generational cohorts. Successive increases in university fees and cuts to student subsidies for further education offer the starkest examples of a government seeking to replace public funding with private debt. In less than a decade, UK student debt outstanding increased from £15 billion in 2005 to £54 billion in 2014, directly reflecting the increase in tuition fees³⁰. In the United States, student debt has skyrocketed over the past decade, quadrupling from just \$240 billion in 2003 to more than \$1 trillion today³¹. Bachelor's degree recipients from lower-income families are both more likely to take out student debt and to have larger debt amounts³².

Reliance on the debt safety net is not necessarily a universal experience; it is the already disadvantaged – the people the welfare state aims to protect – that are hit worst. Women with dependent children, those experiencing family breakdown and the sick or disabled are much more likely to be over-indebted. Families with children are using debt to pay

²⁵ DeNavas-Walt, C., Proctor, B. D., & Mills, R. J. (2003). Income, poverty, and health insurance coverage in the United States, Washington, DC: Census Report, Department of Commerce; Doty, M., Edwards, J., & Holmgren, A. (2005). Seeing red: Americans driven into debt by medical bills. Washington, DC: The Commonwealth Institute; Sullivan, J.-X. (2008). Borrowing during unemployment: Unsecured debt as a safety net. *Journal of Human Resources*, 43(2), 383–412.

²⁶ StepChange. (2013). *Statistics yearbook*. Retrieved from <http://www.stepchange.org/Portals/0/documents/media/PersonalStatsYearbook2013.pdf>

²⁷ StepChange. (2013). *Statistics yearbook*. Retrieved from <http://www.stepchange.org/Portals/0/documents/media/PersonalStatsYearbook2013.pdf>

²⁸ Debt Resolution Foundation. (2013). Demographics and financial circumstances. Retrieved from <http://www.debtresolutionforum.org.uk/resources/2013-drf-client-survey-demographics---full-report-publication.pdf>

²⁹ Debt Resolution Foundation. (2013). Demographics and financial circumstances. Retrieved from <http://www.debtresolutionforum.org.uk/resources/2013-drf-client-survey-demographics---full-report-publication.pdf>; StepChange. (2013). *Statistics yearbook*. Retrieved from <http://www.stepchange.org/Portals/0/documents/media/PersonalStatsYearbook2013.pdf>

³⁰ Chart 5 from the Student Loan Company Statistical Release and Annual Survey of Hours and Earnings. (2014). Table 20.7a, Gross annual pay by age.

³¹ Hiltonsmith, R. (2014). At what cost? How student debt reduces lifetime wealth. Demos. Retrieved from <http://www.demos.org/what-cost-how-student-debt-reduces-lifetime-wealth>

³² Ruetschlin, C. (2014). Student debt effects our economic wellbeing. Demos. Retrieved from <http://www.demos.org/publication/testimony-effects-student-debt-our-economic-wellbeing-and-higher-ed-lower-debt-act>

for necessities: 10% of families said they had taken out credit to pay for food for their children, 18% for clothing and 6% for heating³³. In the United Kingdom, those with the highest number of credit commitments are women with dependent children and people who are separated, divorced or widowed³⁴.

The political economy of depression

In the United Kingdom, mental health problems afflict 17% of adults and 10% of children at any moment in time³⁵. Just under half of those suffering with a mental health problem have depression. The rate of this disorder across Europe and the United States is similar, typically measured at 7–9% of the adult population. Notably, mental health problems are very often comorbid with physical health issues: Of those suffering with chronic physical health problems, around one-third also have a mental health problem. Over a lifespan, around half of the population will experience at least one episode of depression³⁶.

Depression rates have risen sharply since the 1970s, although this is partly a result of changes in how the syndrome has been diagnosed by psychiatrists, psychotherapists and doctors. The symptoms of depression have become much more codified and measurable as a result of new scales, surveys and questionnaires, although some argue that actual levels of depression (and other mental health disorders) remain far higher than the diagnosed rates. But leaving this aside, there is evidence that depression rates have risen since the early 1980s³⁷. Prescriptions for antidepressants in the United Kingdom doubled in 1999–2009³⁸.

Since the rise of ‘happiness economics’ in the 1990s, attention to mental health and depression has risen amongst economists and economic policymakers. This is partly due to the finding that unemployment causes depression³⁹ and that happiness yields greater productivity in the workplace. There is now far better economic evidence concerning how depression creates economic costs for the economy as a whole, with mental illness costing an estimated 4.3% of the UK GDP and exhibiting a rising trend.

³³ StepChange. (2014). The debt trap: Exposing the impact of problem debt on children. Retrieved from http://www.stepchange.org/Portals/0/Debt_Trap_Report_FINAL.pdf

³⁴ StepChange. (2013). *Statistics yearbook*. Retrieved from <http://www.stepchange.org/Portals/0/documents/media/PersonalStatsYearbook2013.pdf>

³⁵ London School of Economics (LSE). (2012). How mental illness loses out in the NHS: A report by the Centre for Economic Performance’s Mental Health Group.

³⁶ Department of Health. (2011) No health without mental health: A cross-government outcomes strategy., London, see: <https://www.gov.uk/government/publications/no-health-without-mental-health-a-cross-government-outcomes-strategy>

³⁷ See Wilkinson, R., & Pickett, K. (2009). *The spirit level: Why more equal societies almost always do better*. Allen Lane.

³⁸ Davis, R. (2010, June 11). Antidepressant use rises as recession feeds wave of worry. *Guardian*.

³⁹ Clark, A., & Oswald, A. (1994). Unhappiness and unemployment. *Economic Journal*, 104, 424.

Similar findings are evident for the rest of Europe⁴⁰.

One of the (not uncontroversial) consequences of this new economic attention to depression is that varieties of positive psychology have been integrated into workfare policies as a means of increasing labour market efficiency⁴¹. Although CBT offers a net saving to government⁴², its unfortunate side effect is that policymakers view it as something that can be used as an instrument for efficiency improvements, or even be made compulsory⁴³. Benefits which are conditional upon participation in psychological therapy or behavioural training schemes are amongst the most controversial examples. Meanwhile, a range of wellbeing initiatives in the workplace exist to promote health and productivity as an integrated strategy⁴⁴.

Beyond the somewhat individualistic limits of happiness economics, much of the evidence related to the negative impact of political economic structures on psychology comes from the field of social epidemiology. The Spirit Level has laid out comprehensive evidence for how inequality contributes to lower levels of wellbeing, and higher rates of depression and anxiety⁴⁵. The correlation between socioeconomic position and risk of depression has been confirmed in a range of epidemiological and psychosocial studies⁴⁶. Suicide is more common in unequal societies, and suicide rates rise along with poverty rates rise⁴⁷. In Greece, suicides rose by 35% following the introduction of austerity measures in June 2011⁴⁸.

Although low income might not cause depression in itself, quantitative research has shown that incidences of depression are more frequent and last longer among persons

⁴⁰ LSE. (2012). How mental illness loses out in the NHS: A report by the Centre for Economic Performance's Mental Health Group; World Health Organization. (2011). Impact of economic crises on mental health. <http://www.euro.who.int/en/health-topics/noncommunicable-diseases/mental-health/publications/2011/impact-of-economic-crises-on-mental-health>

⁴¹ Davies, W. (2011, September–October). The political economy of unhappiness. *New Left Review*, 71; Friedli, L., & Stearn, R. (2015). Positive affect as coercive strategy: Conditionality, activation and the role of psychology in government workfare programmes. *Medical Humanities*, 41, 40–47.

⁴² Layard, R. et al. (2007). Cost-benefit analysis of psychological therapy. *National Institute Economic Review*, 202, 1

⁴³ Conservative Party. (2015). *The Conservative Party manifesto*: <https://www.conservatives.com/manifesto>

⁴⁴ Davies, W. (2015). *The happiness industry: How the government and big business sold us wellbeing*. Verso; Cederstrom, C., & Spicer, A. (2015). *The wellness syndrome*. Polity.

⁴⁵ Wilkinson, R., & Pickett, K. (2009). *The spirit level: Why more equal societies almost always do better*. Allen Lane.

⁴⁶ Muntaner, C. et al. (2004). Socioeconomic position and major mental disorders. *Epidemiologic Reviews*, 26, 1.

⁴⁷ World Health Organization. (2011). In Europe, a 1% rise in unemployment correlates to a 0.8% rise in suicide rates.

⁴⁸ Branas, C. et al. (2015). The impact of economic austerity and prosperity events on suicide in Greece: A 30-year interrupted time-series analysis. *British Medical Journal Open*, 5, 1.

with low income⁴⁹. The Office for National Statistics showed that about 28% of people with no mental disorder live in a household with an income of less than £300 per week compared with 60% of people with a psychotic disorder and 37% of those with a neurotic disorder. Individuals with mental disorders are also more likely to be behind with their payments on utility bills, and are thus overrepresented among those with disconnected utilities⁵⁰.

Policies which promote acute individual responsibility, flexible labour markets and high levels of competitiveness share some liability. Public health researchers have demonstrated the morbid effects of austerity policies which increase social insecurity and social breakdown⁵¹. Insecure employment has been shown to have a deleterious effect on physical and mental wellbeing, while stress is higher in workplaces where job control is lowest⁵². Japan (which has the second highest suicide rate in the world) has seen a sharp rise in suicide of young people, which is believed to be connected to the fact that nearly 40% of this demographic is unable to find stable work⁵³. The rate of suicides in Japan rose after both the 1998 Asia crisis and the 2008 global financial crisis.

Aside from these structural conditions of mental ill-health, there is evidence that a preoccupation with monetary values and economic accumulation can generate unhappiness and depression across socioeconomic groups. Research on materialist values by the psychologist Tim Kasser showed that 'adults who focused on money, image, and fame reported less self-actualisation and vitality, and more depression than those less concerned with these values'⁵⁴. Kasser's research indicates that individuals who measure themselves in monetary terms have a lower sense of self-worth.

⁴⁹ Skapinakis, P., Weich, S., Lewis, G., Singleton, N., & Araya, R. (2006). Socio-economic position and common mental disorders: Longitudinal study in the general population in the UK. *British Journal of Psychiatry*, 189, 109–117; Zimmerman, F. J., & Katon, W. (2005). Socioeconomic status, depression disparities, and financial strain: What lies behind the income-depression relationship? *Health Economics*, 14(12), 1197–1215; Payne, S. (2000). Poverty, social exclusion and mental health: Findings from the 1999 PSE survey. Townsend Centre for International Poverty Research.

⁵⁰ Office for National Statistics. (2002). The social and economic circumstances of adults with mental disorders. London: Stationary Office, p. 8.

⁵¹ Stuckler, D., & Basu, S. (2013). The body economic: Why austerity kills: Recessions, budget battles, and the politics of life and death. Harper Collins.

⁵² Karasek, R., & Theorell, T. (1992). Healthy work: Stress, productivity, and the reconstruction of working life. Basic Books; Blaug, R. et al. (2007). Stress at work. The Work Foundation.

⁵³ British Broadcasting Corporation. (2015, July 3). Why does Japan have such a high suicide rate? BBC Online. Retrieved from <http://www.bbc.co.uk/news/world-33362387>

⁵⁴ Kasser, T. (2003). *The high price of materialism*. MIT Press, p. 11.

3: Worried sick – Connecting debt and mental health

'I'm hopelessly in debt and it makes me so angry. For too long I've endured sleepless nights and months of depression worrying about it all. It affected my relationship with my girlfriend and we nearly split up because of my money problems'. (CAG)

The interconnections between indebtedness and mental health problems have been studied extensively. Individuals with mental health problems are more likely to incur debts, and in turn, having debt has a range of negative impacts on the mental health of individuals and families⁵⁵. Existing research and policy responses to the interlinking problems of debt and health suggest that, although the health impacts of debt have garnered more and more attention, indebtedness is still often cast as a problem caused by irresponsible individual behaviour⁵⁶ or even as a mental malfunction⁵⁷. For example, failure to cope with debt is included as a symptom of 'antisocial personality disorder'⁵⁸.

In such discourse, what is often lost is the voice and embodied experiences of the indebted, as well as the complex social and structural dynamics of indebtedness and health. This is a methodological tendency which we hope to counteract in this report. Disciplines which seek to demonstrate simple causal connections between mental health and debt run into the problems posed by the severe complexity of the issues involved, where it is often impossible to cleanly isolate different factors. For this reason, bringing in the voice and narratives of sufferers is one way to navigate empirical phenomena which will not sit tidily into separate 'social', 'biological', 'economic' or 'psychological' disciplinary categories.

Before we turn to our analysis of P2P forums, we review the quantitative empirical literature on debt and mental health. Next, we compare this with research provided by charities and organisations, finding a much greater scope for qualitative approaches which also account for how debt, health and poverty are interlinked. To conclude, we examine the policy responses to debt, arguing that these are articulated within a 'vulnerability framework' which concomitantly reduces debt to a small segment of the population and casts mental health problems related to debt as an underlying behavioural trait of people struggling with Financial Melancholia.

⁵⁵ Gathergood, J. (2012). Debt and depression: Causal links and social norm effects. *Economic Journal*, 122, 1094–1114.

⁵⁶ Walker, C., Cunningham, L., Hanna, P., & Ambrose, P. (2012). *Responsible individuals and irresponsible institutions? A report into mental health and the UK credit industry*. University of Brighton. Retrieved from https://www.brighton.ac.uk/_pdf/research/ssparc/debt-and-mental-health-report.pdf

⁵⁷ Spinella, M., Yang, B., & Lester, D. (2007). Prefrontal systems in financial processing. *Journal of Socio-Economics*, 36, 480–489.

⁵⁸ See <http://psymed.info/antisocial-personality-disorder-test>

The vicious circle of debt and mental health problems

Large-scale survey research has long since established that there is a strong correlation between debt and mental health problems. Those with diagnosed or self-reported mental health issues and illnesses such as depression, anxiety and bipolar disorders are far more likely than the general population to have problem debt as well⁵⁹. About 50% of people with debt in the UK have a mental disorder, compared to 14% amongst people with no debt (on average, 15% of individuals in the general population have a mental disorder)⁶⁰.

Most research on debt and mental health has demonstrated that debts can be an indicator of whether an individual has a mental health problem⁶¹. Individuals with many different kinds of debt and a higher level of unsecured debts are more likely to experience worse health, including issues such as depression, suicide, alcoholism, drug dependence and psychotic and neurotic disorders⁶².

Underlying mental health conditions may also contribute to debt getting out of control. During the manic phases of bipolar disorder, people often spend money extravagantly on big plans and projects in which they might otherwise not have invested⁶³. Indeed, compulsive buying is strongly associated with a range of mental health issues, including mood, anxiety, impulse control and eating disorders⁶⁴.

Buying things becomes both a manifestation of illness and a means to make oneself feel better. At the same time, it generates large amounts of unsecured debt on credit cards, store cards and overdrafts.

What is more puzzling is whether having debts actually causes a decline in mental wellbeing or even results in the onset of mental illness. Especially contested is the

⁵⁹ Problem debt is commonly defined as occurring when a person has been two or more consecutive payments behind with a bill in the last 12 months; Mind. (2008). *In the red: Debt and mental health*, p. 5. Retrieved from <http://www.mind.org.uk/media/273469/in-the-red.pdf>

⁶⁰ Jenkins, R., Bebbington, P., & Brugha, T. (2009). Mental disorder in people with debt in the general population. *Public Health Medicine*, 6(3), 88–92.

⁶¹ Drentea, P., & Reynolds, J. R. (2012). Neither a borrower nor a lender be: The relative importance of debt and SES for mental health among older adults. *Journal of Aging and Health*, 24(4) 673–695.

⁶² Fitch, C. et al. (2011). The relationship between personal debt and mental health: A systematic review. *Mental Health Review Journal*, 16(4), 153–166; Richardson et al. (2013). The relationship between personal unsecured debt and mental and physical health: A systematic review and meta-analysis. *Clinical Psychology Review*, 33, 1148–1162; Meltzer, H., Bebbington, P., Brugha, T., Farrell, M., & Jenkins, R. (2013). The relationship between personal debt and specific common mental disorders. *European Journal of Public Health*, 23, 108–113.

⁶³ Mind. (2008). *In the red: Debt and mental health*, p. 8. Retrieved from <http://www.mind.org.uk/media/273469/in-the-red.pdf>

⁶⁴ McElroy, S. L., Keck, P. E., Pope, H. G., & Smith J. M. R. (1994). Compulsive buying—A report of 20 cases. *Journal of Clinical Psychiatry*, 55, 242–248; Schlosser, S., Black, D. W., Repertinger, S., & Freet, D. (1994). Compulsive buying: Demography, phenomenology, and comorbidity in 46 subjects. *General Hospital Psychiatry*, 16, 205–212.

relative importance of subjective measures of mental illness and perceptions of one's own debt vis-à-vis quantifiable measures of debt. On the one hand, it is clear that worrying about debt can contribute to worsening mental health. From this perspective, perceptions of debt may be more important in terms of mental health impacts than actual levels of debt⁶⁵. For example, students who worry about their finances also tend to report that they are feeling more tense, anxious, nervous, criticised by other people, unhappy or irritable than those who are not worried about money and debt⁶⁶. On the other hand, individuals' perceived relationship between mental health and financial circumstances is not necessarily taken as evidence of a causal relationship, but often tested against more objectively measurable indicators⁶⁷.

The search for causality has seen efforts to isolate the injuries of debt from changes in the economic and social circumstances of individuals. Longitudinal studies of the health impacts of debt have often tried to account for shifts in socioeconomic circumstances over time, while still finding that growing levels of debt are linked to a rise in depression over time⁶⁸. It is clear, however, that the emotional injuries of debt need to be understood as both widespread and at the same time socially embedded and context-specific. As we argued above, people in particular socioeconomic categories such as those with low income, women and young people are overrepresented among the population with mental health issues and with high levels of personal debt.

Perhaps unsurprisingly, socioeconomic status relates to the levels of stress and anxiety caused by debt. Single parents (especially women) have been found to experience higher levels of anxiety than people who are married and have children⁶⁹. Overall, those with higher income, in employment or with a partner in employment and in a relationship report a lower incidence of financial stress. Research on mortgage debt shows the gender dimensions of debt, with debt and default affecting the well-being of men and women differently due to their gendered social roles⁷⁰. The locality in which one lives can also have an impact on whether debt is experienced as shameful; in some areas,

⁶⁵ Fitch, C. et al. (2011). The relationship between personal debt and mental health: A systematic review. *Mental Health Review Journal*, 16(4), 159–160.

⁶⁶ Jessop, D. C., Herberts, C., & Solomon, L. (2005). The impact of financial circumstances on student health. *British Journal of Health Psychology*, 10, 421–439; Cooke, R., Barkham, M., Audin, K., Bradley, M., & Davy, J. (2004). Student debt and its relation to student mental health. *Journal of Further and Higher Education*, 28(1), 53–66.

⁶⁷ Gathergood, J. (2012). Debt and depression: Causal links and social norm effects. *Economic Journal*, 122, 1094–1114.

⁶⁸ Bridges, S., & Disney, R. (2010). Debt and depression. *Journal of Health Economics*, 29, 388–403.

⁶⁹ Drentea, P. (2000). Age, debt and anxiety. *Journal of Health and Social Behaviour*, 41(4), 437–450.

⁷⁰ Nettleton, S., & Burrows, R. (1998). Mortgage debt, insecure home ownership and health: An exploratory analysis. *Sociology of Health & Illness*, 20(5), 731–753; Nettleton, S., & Burrows, R. (2000). When a capital investment becomes an emotional loss: The health consequences of the experience of mortgage possession in England. *Housing Studies*, 15(3), 463–479.

debt can be normalised as something which is widely experienced⁷¹.

The experience of debt

Charities and voluntary organisations have been a major force in bringing attention to how debt affects mental health. By including evidence from the front line, such studies give a voice to the indebted, highlighting new issues and gaps in policy. They also show just how widespread the problem of indebtedness is today.

Although a growing number of people struggle with debt, it is still an isolating experience which most people feel uncomfortable talking about. Research by the Money Advice Service showed that out of the population living with problem debt, 74% are unhappy and 70% often feel anxious because of their debt, while 56% report a negative impact on their family life⁷². A survey by Mind found that the most common reasons for having problem debt were mental health problems (66%), living on a low income (66%) and difficulties in managing money (58%). In turn, over 85% said that their mental health problems had made their financial difficulties worse⁷³.

Conversely, 91% said that being in debt had impacted negatively on their mental health⁷⁴. Indebtedness can thus exacerbate mental health issues and contribute to new feelings of anxiety, sleeplessness and shame. Edwards found that a quarter of individuals seeking debt advice from the Citizens Advice Bureau were already seeking treatment for stress, depression and anxiety from or via their GP. Just under half of those who were receiving medical treatment for their depression felt that their symptoms were caused by their debt problems⁷⁵.

Indebtedness comes at a high cost for individuals and families, as it drives down living standards and can result in disconnected utilities, lack of food, low heating and inability to socialise⁷⁶. Debt also has ramifications for family life. The landmark Money Advice Service report *Indebted Lives* found that over half (56%) of people with unmanageable debts report a negative effect on their family life; of the debt advice clients in a relationship, 75% said their debt had negatively affected it and 25% said it caused them to end their relationship.

⁷¹ Gathergood, J. (2012). Debt and depression: Causal links and social norm effects. *Economic Journal*, 122, 1094–1114.

⁷² Money Advice Service. (2013). *Indebted lives: The complexities of life in debt*, p. 5. Retrieved from <https://www.moneyadviceservice.org.uk/en/static/indebted-lives-the-complexities-of-life-in-debt-press-office>

⁷³ Mind. (2008). *In the red: Debt and mental health*, p. 17. Retrieved from <http://www.mind.org.uk/media/273469/in-the-red.pdf>

⁷⁴ Mind. (2008). *In the red: Debt and mental health*, p. 17. Retrieved from <http://www.mind.org.uk/media/273469/in-the-red.pdf>

⁷⁵ Edwards, S. (2003). *In too deep: CAB clients' experience of debt*. Citizens Advice Bureau, pp. 3–4. Retrieved from <https://www.citizensadvice.org.uk/in-too-deep.pdf>

⁷⁶ Jenkins R, Bebbington P, Brugha T et al (2009) Mental disorder in people with debt in the general population. *Public Health Medicine*, 6(3), 88-92. See also: Gathergood, J. (2012), Debt and Depression: Causal Links and Social Norm Effects. *The Economic Journal*, 122: 1094–1114.

The effects of debt cascade through families, particularly affecting children and very likely limiting their life chances. In many cases, CAB debt clients reported that the impact of debt on their lives had been devastating. Relationship breakdown, feelings of isolation and the stress of living on a tight budget had affected them deeply⁷⁷. Similarly, the Centre for Social Justice highlighted a series of knock-on effects of debt on individual well-being, including family breakdown, lack of employment and addiction⁷⁸.

The institutional failures around indebtedness have been widely recognised. With inability to meet one's repayments already being a major source of feelings of shame and stigma, this is made worse by the practices of harassment and threats in the debt collection industry. Letters, phone calls and visits from bailiffs are widely seen as contributing to problems with sleep, feelings of despair and humiliation, depression, panic attacks, migraines and even the shift to unsustainable diets⁷⁹. Even after the introduction of new regulation and advice over the past few years, Mind identifies a continued sense of distrust when it comes to the idea that creditors will be empathetic to people with mental health issues⁸⁰.

The Children's Society has identified that the 1.6 million children living in families owing council tax debt are vulnerable to bailiffs. Out of these, a survey found that over 50% of parents thought that their children's mental health (anxiety, stress and depression) were negatively affected by having council tax debt. In turn, two-thirds said that their children had been frightened, sad or worried as a result of a bailiff visit⁸¹.

As indicated in this report's introductory quotation, there is a continued decoupling of debt and health. To overcome this divide, advice and guidelines for various professional groups have been developed by the Royal College of Psychiatrists and the Money Advice Liaison Group (MALG)⁸². These guidelines offer advice for creditors on how to deal with

⁷⁷ Edwards, S. (2003). *In too deep: CAB clients' experience of debt*. Citizens Advice Bureau, pp. 3–4. Retrieved from <https://www.citizensadvice.org.uk/in-too-deep.pdf>

⁷⁸ Centre for Social Justice. (2013). *MAXED OUT: Serious personal debt in Britain*, pp. 95–101. Retrieved from http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJ_Serious_Debt_report_WEB_final.pdf

⁷⁹ Centre for Social Justice. (2013). *MAXED OUT: Serious personal debt in Britain*, pp. 95–101. Retrieved from http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/CSJ_Serious_Debt_report_WEB_final.pdf; Walker, C., Cunningham, L., Hanna, P., & Ambrose, P. (2012). *Responsible individuals and irresponsible institutions? A report into mental health and the UK credit industry*. University of Brighton. Retrieved from https://www.brighton.ac.uk/_pdf/research/ssparc/debt-and-mental-health-report.pdf

⁸⁰ Mind. (2012). *Still in the red: Update on debt and mental health*. Retrieved from <http://www.mind.org.uk/media/273468/still-in-the-red.pdf>

⁸¹ Children's Society. (2015). *The wolf at the door: How council tax debt collection is harming children*, pp. 27–31. Retrieved from <http://www.childrenssociety.org.uk/what-we-do/resources-and-publications/the-wolf-at-the-door-how-council-tax-debt-collection-is>

⁸² Money Advice Liaison Group. (2007). *Good practice guidelines: Debt management and debt collection in relation to people with mental health problems*. MALG; Money Advice Liaison Group and Royal College of Psychiatrists. (2009). *Debt and mental health evidence form*. MALG and Royal College of Psychiatrists. Retrieved from www.moneyadvicetrust.org/section.asp?sid=12; Fitch, C., Fearnley, J., Trend, C., &

vulnerable customers, arguing that doing this is both ethically sound and good for business⁸³.

Policy responses

Policymakers understand the link between debt and mental health; the FCA report clearly acknowledges the impact of the ‘debt spiral’⁸⁴. New forms of regulation have been brought in and new advice is available for mental health practitioners and debt collectors. Most recently, the need for debt relief to alleviate pressures on individuals and households has been recognised⁸⁵.

Nevertheless, most government interventions are still articulated within a ‘vulnerability framework’. The FCA defines a vulnerable consumer as ‘someone who, due to their personal circumstances, is especially susceptible to detriment’; such detriment particularly occurs when people use consumer credit to get into problem debt⁸⁶. The reasons for this are primarily explained in terms of individual ‘behaviours, preferences and biases’, a lack of knowledge and confidence or even a lack of control over personal actions. Importantly, such irrational behaviours are seen as especially prevalent, and dangerous, amongst low-income earners⁸⁷.

Within such a framework, personal responsibility for financial difficulties and individual failure are consistently presented as the underlying reason for people’s over-indebtedness. By extension, the ‘vulnerability’ framework actually casts mental health problems related to debt as an underlying behavioural trait of people struggling with debt. Policymakers’ response to the substantial social costs of debt is to focus on ‘avoiding’ problem debt by building financial capability; this frames the cause of debt problems as rooted in a lack of literacy and numeracy skills. As Walker et al. argue,

Williams S. (2009). *Final demand: Debt and mental health*. Royal College of Psychiatrists. Retrieved from <http://www.rcpsych.ac.uk/workinpsychiatry/qualityimprovement/research/debtandmentalhealth/evidenceandresearch.asp>; Fitch, C., Chaplin, R., & Trend, C. (2014). Lending, debt collection and mental health: Ten steps for treating potentially vulnerable customers fairly: A briefing for lenders, creditors and debt collectors. London: Royal College of Psychiatrists/Money Advice Trust. Retrieved from http://www.mhdebt.info/wpcontent/uploads/2014/04/LDCMH_report_web.pdf

⁸³ Fitch, C., Chaplin, R., & Trend, C. (2014). Lending, debt collection and mental health: Ten steps for treating potentially vulnerable customers fairly: A briefing for lenders, creditors and debt collectors. London: Royal College of Psychiatrists/Money Advice Trust, p. 6. Retrieved from http://www.mhdebt.info/wpcontent/uploads/2014/04/LDCMH_report_web.pdf

⁸⁴ Financial Conduct Authority. (2014). *Consumer credit and consumers in vulnerable circumstances*. Retrieved from <https://www.fca.org.uk/static/documents/research-papers/consumer-credit-customers-vulnerable-circumstances.pdf>

⁸⁵ See <https://www.gov.uk/government/news/improved-help-for-people-struggling-with-problem-debt>

⁸⁶ Financial Conduct Authority. (2014). *Consumer credit and consumers in vulnerable circumstances*, p. 5. Retrieved from <https://www.fca.org.uk/static/documents/research-papers/consumer-credit-customers-vulnerable-circumstances.pdf>

⁸⁷ Financial Conduct Authority. (2014). *Consumer credit and consumers in vulnerable circumstances*, pp. 7–8. Retrieved from <https://www.fca.org.uk/static/documents/research-papers/consumer-credit-customers-vulnerable-circumstances.pdf>

financial literacy is often not the issue; rather, the problem has to do with incomes and standards of living. Indeed, casting individuals in this framework contributes to their poor treatment when seeking help and support⁸⁸. Moreover, this neglects the external economic forces directly contributing to rising debt levels while ignoring how individuals cope with or recover from problem debt.

⁸⁸ Walker, C., Cunningham, L., Hanna, P., & Ambrose, P. (2012). *Responsible individuals and irresponsible institutions? A report into mental health and the UK credit industry*. University of Brighton. Retrieved from https://www.brighton.ac.uk/_pdf/research/ssparc/debt-and-mental-health-report.pdf

4: Financialisation as Groundhog Day

'I am 31 and still live at home, I feel like my life is on hold until I am debt free and that will be a long, long time which when I stop to think about it scares the crap out of me... I honestly feel that until I am debt free I cannot move on and it is crippling'. (MSE)

In his essay, 'Mourning and Melancholia', Sigmund Freud observes that loss (typically of a loved one, but potentially of any past attachment) can result in two very different responses in people. They can undergo a very painful readjustment to their changed circumstances, but then eventually recover their sense of self and future in spite of the loss – this is what he termed 'mourning'. Alternatively, they can fail to go through the mourning process, refuse to accept the external source of their suffering and punish themselves for what they lack. This results in a collapse of individual agency.

As Freud argued:

There is an aspect of melancholia that is absent from mourning, an extraordinary reduction in self-esteem, a great impoverishment of the ego. In mourning the world has become poor and empty, in melancholia it is the ego that has become so. The [melancholic] patient describes his ego to us as being worthless, incapable of functioning and morally reprehensible, he is filled with self-reproach, he levels insults against himself and expects ostracism and punishment... He does not sense that a change has taken place in him, but extends his self-criticism to cover the past⁸⁹.

This psychoanalytic interpretation of melancholia has been largely usurped by biological and cognitive theories of depression, which locate its source within the brain or the cognitive habits of the sufferer. Yet, Freud's description of self-reproach and its focus on the past remains an important guide for how we understand depressive experiences, and echoes the narratives of many sufferers⁹⁰.

Freud's theory also has one crucial advantage, and this has political implications. Unlike the melancholic, the individual in 'mourning' is able to recognise that he or she is not responsible for his or her own unhappiness, and is therefore able to recover a sense of agency towards the future. As the Midlands Psychology Group argues, in opposition to cognitivism, 'distress arises from the outside inwards'⁹¹. Critical questions can therefore be directed towards social institutions, and not individual behaviour, brain functions or cognition. The goal of collective transformation might replace that of individual

⁸⁹ Freud, S. (2005). *On Murder, Mourning & Melancholia*. Penguin, pp. 205–206.

⁹⁰ Leader, D. (2008). *The new black: Mourning, melancholia and depression*. Hamish Hamilton.

⁹¹ Midland Psychology Group. (2012). Draft manifesto for a social materialist psychology of distress. *Journal of Critical Psychology, Counselling and Psychotherapy*, 12(2).

transformation. Melancholia (or depression) is a state of mind which prevents this more hopeful orientation towards the world.

We suggest that economic institutions and systems play a powerful role in locking people into a depressive sense of regret and self-reproach. The growth of debt in our economy, as described in Section 1, means that entire economies can become locked into the repayment of past debt obligations, reducing the capacity for new investments or productive forms of risk-taking. In this section, we explore the phenomenon of backward-facing ‘melancholia’ as a symptom of particular economic conditions, which are then manifest in individuals’ personal experiences. First, we look at how those conditions work more generally, before illustrating individual experiences using quotations selected from P2P debt support forums.

The rear-facing economy

‘Buy Now, Pay Later’ is the most basic explanation of the temporal shift created by taking on debt. At first it seems innocuous, and rather obvious, but its long-term effects are only just being realised. When ever-growing numbers of households take on ever-larger amounts of debt, it seems the problem is not just insolvency or rising default rates; rather, a much bigger problem appears to be that most people are paying their debts but that this very act is creating a permanent drag in the wider economy.

The newest term to describe the macroeconomic effects of debt is *the balance sheet recession*, which seeks to distinguish between the ‘credit’ cycle and ‘business’ cycle⁹². In short, with debt levels growing across the private sector, households and businesses, there is a move to pay down debts rather than spending or investing, which creates a significant drag on economic growth. As Paul Krugman explains:

The logic of a balance sheet recession is straightforward. Imagine that for whatever reason people have grown careless about both borrowing and lending, so that many families have taken on high levels of debt. And suppose that at some point people more or less suddenly realize that these high debt levels are risky. At that point, debtors will face strong pressures from their creditors to ‘deleverage,’ slashing their spending in an effort to pay down debt. But when many people slash spending at the same time, the result will be a depressed economy. This can turn into a self-reinforcing spiral, as falling incomes make debt seem even less supportable, leading to deeper cuts; but in any case, the overhang of debt can keep the economy depressed for a long time⁹³.

It is becoming increasingly clear there is an inherent problem with everyone paying

⁹² Koo, R. C. (2014). *The Escape from Balance Sheet Recession and the QE Trap: A Hazardous Road for the World Economy*. John Wiley & Sons.

⁹³ Krugman, P. “Does he pass the Test?” in *New York Review of Books*, (July 10, 2014) <http://www.nybooks.com/articles/archives/2014/jul/10/geithner-does-he-pass-test/>

down their debts at the same time, as it will be almost impossible to reduce our debts without causing a recession. This creates a debt trap: The only way to keep the economy growing is through more debt, and the very thing stifling growth is debt repayment. Positive Money created a public engagement campaign explaining to ordinary citizens how debt destroys economic activity by exploring the macroeconomic reality of 'buy now and pay later'; in brief, when banks create credit, it generates economic activity – buy now – but when borrowers repay loans, economic activity is muted as the money generated by income pays back past economic activity. Debt creates a future where one is always paying for the past.

This macroeconomic story aggregates what households experience in daily life: A significant portion of income is diverted to debt payments. An increasing number of households juggle multiple and overlapping debt obligations, including mortgages, home equity loan, lines of credit, car loans, credit cards, store cards and overdrafts. It is becoming increasingly clear that these demands have significant effects beyond simple 'consumer confidence' or sentiment. Indebtedness ties people to the past in ways that are not well understood.

Rear-facing psychology

The sense of regret which is inculcated by debt emerged very strongly in the P2P forums that we observed and analysed. This is exemplified by the following contributor, who demonstrates Freud's point about the 'extension of self-criticism to cover the past':

Sorry guys really depressed today and very stressed. Thoughts of my past failures kept on coming into my head and I just could not stop them. I have not been able to achieve much in life and I feel quite sad. I compare myself to my old mates who are now in high paying jobs have families and a life to speak of. (CAG)

In some instances, individuals locate one particular turning point in their past when they made a regrettable decision:

Y'know, when I was 18, I was strong and fit and healthy. I would play football 2 or 3 times a week, go to the gym 4 times a week, life was good. Then I took out a repayment agreement with Curry's to buy a PlayStation 2. Now, 8 years later, I am in huge debt, out of work and severely overweight, my father is dying and all my creditors want to know is when I am paying my bill. Give a guy a break please! It's not like I'm trying to avoid paying, I just want the time to find work again and carry on paying. To say I'm in a rut would be an understatement. (CAG)

What is true at the level of national economies can also be true at the level of individual lives: The future is put on virtually permanent hold, as past mistakes can never quite be written off.

This backward-looking mentality manifests itself in other ways which are associated with melancholia or depression. First, there is the strong sense that nobody else is responsible for one's situation. Added to this is a sense that one has become an unreasonable burden on other people, and responsibility must be taken for this too:

My new partner has been extremely supportive over the past 18 months but I know it's me that has to take the initiative and try to pull myself together; furthermore, she lost her favourite aunt last weekend who committed suicide, so I have to be strong now and step in the right direction. (CAG)

Depression is a horrible thing and my friends and family feel helpless so I owe to them as well as myself. (CAG)

Acute feelings of responsibility, coupled with feelings of guilt regarding the spillover impact on others, inevitably leads to a desire to hide debt from loved-ones:

I'm a 29-year old male, and I have just under £50k of debt with nothing to show for it at all. The worst thing is my partner doesn't know about it. (MSE)

Meanwhile, there is an instinct to take the burden of responsibility off one's loved-ones, and to bring it upon oneself instead, diverting the self-punishment in the process:

[The debts are] nothing to do with me, and I didn't even know about them, but they're wrecking my life and mind in a very, very serious way and I really can't continue to live in such a state of uncertainty, fear, etc. for the next couple of decades. My fault for not being able to deal with it, maybe, but that's who I am. (CAG)

This is a vicious circle of regret, shame and secrecy which can break up relationships (this is considered in more detail in the next section).

Second, debt produces increasingly paranoid feelings concerning everyday interactions with the outside world. The indebted often come to feel hunted and fearful:

I am TOTALLY down in the dumps.... I thought these people wanted to collect and get you off their books.... I was wrong, they will hold on for as long as possible to collect your debt. I have a further 6 years remaining on my DMP and god knows where I'll be then...but I am already very depressed.... [H]ope these people don't make me do something silly because believe me I have considered it!! (CAG)

Day-to-day linkages to society, such as telephones and envelopes, come to be perceived as threatening, incriminating objects:

I am afraid of the post arriving (my husband is on anti-depressant and can't cope with even a gas bill).... I hate to answer the phone in case it's a debtor chasing money. (CAG)

Blinds were pulled, doors doubled locked, we didn't go out, etc. The fear of our neighbours finding out as well was humiliating and ever present as they threatened that they would speak with our neighbours to confirm we lived there. (CAG)

Even where debt collection companies are found to be more sympathetic, many forum users still report insomnia and anxiety, as they feel unable to escape the sense of the past catching up with them. For those struggling with chronic debt problems, their past mistakes – for which they admit responsibility – continue to haunt their day-to-day lives, in the mundane events of letters arriving and telephones ringing⁹⁴.

⁹⁴ Deville, J. (2015). *Lived Economies of Default: Consumer Credit, Debt Collection and the Capture of Affect*. Routledge.

5: The debt domino effect

'It's the vicious circle, the more ill you are, the harder it is to survive financially and the worse the debt becomes then the worry makes your health worse'. (CAG)

One way in which financialisation has been conceived politically is in terms of the unusual degree of 'capillary power' which finance has attained across society and politics⁹⁵. There is a co-dependence between financialisation and household debt because households cannot move beyond their historical dependence on wages/salaries combined with effortless credit creation by banks⁹⁶. 'Flexible' labour markets, which ostensibly require individuals to be 'enterprising' in how they support themselves, exacerbate the risk of falling into more debt. As a result, finance has the ability to penetrate the sinews of relationships and institutions, becoming embedded in the codes and norms of public and private organisations.

The spread of debt into everyday life is partly a feature of the withdrawal of other forms of social support, namely government income transfers and social investment like disability benefits and university tuition subsidies. The privatisation of the social safety net means that indebtedness is now essential to household social participation and protection⁹⁷. This has become particularly acute since the 2008 financial crisis, with public policy focussed on pouring money into the financial sector and reducing government support for the household sector in order to claw back the ballooning public liabilities. In response, households take on ever more debt to replace the lack of government services and welfare provisions.

In this respect, individual obligations to creditors rise as state obligations to citizens fall. From a naively economic perspective, there is no difference between these rival forms of obligation. Borrowing money to pay for, say, education or housing is comparable to paying taxes for their provision, only with greater individual choice. However, this misses the particular ways in which debt functions psychologically and morally to produce feelings of responsibility and guilt. The suggestion made by Conservative MPs that benefit payments should be recast as 'loans' from the state has a moral and psychological rationality⁹⁸. Unlike other forms of social or family obligation, debt has an

⁹⁵ Bowman, A. et al. (2012). *The finance and point-value complex*. CRESC Working Paper Series, working paper no. 118.

⁹⁶ Froud, J., Johal, S., Montgomerie, J., & Williams, K. (2010). Escaping the Tyranny of Earned Income? The Failure of Finance as Social Innovation. *New Political Economy*, 15(1), 147–164. See also: Krugman, P. R. (2012). *End This Depression Now*. New York, NY: W.W. Norton and Company.

⁹⁷ Montgomerie, J. (2013). America's Debt Safety-net. *Public Administration*, 91(4), 871–888. Also see: Montgomerie (2009) "The pursuit of (past) happiness? Middle-class indebtedness and Anglo-American financialisation", *New Political Economy*, Vol.14, No.1, pp.1-24

⁹⁸ British Broadcasting Corporation. (2015, June 11). Turn benefits into repayable loans, say Tory group. Retrieved from <http://www.bbc.co.uk/news/uk-politics-33092329>

explicit monetary value which tends to trump and destroy more tacit forms of mutual support.

In this section, we explore the ‘capillary power’ of debt in everyday life, and how debt becomes entangled in various intimate forms of misfortune, personal risk and family relations. Debt is both cause and effect: Minor mishaps and periods of illness often lead individuals to take on debts, but debts have a tendency to produce greater forms of illness and relational breakdown. This means that the relationship between debt and mental health is necessarily a complex one which cuts across simple boundaries between the ‘social’, ‘medical’, ‘financial’ and ‘psychological’. One of the central ways in which debt exerts psychological damage is to produce an interconnectedness of failures and a sense that everything is collapsing simultaneously.

Privatising the social safety net

The intensification of political rhetoric relating to reducing public debt has meant the downloading of debt to the household sector, and the results are stark: Debt is the main safety net for households to cope with unexpected events or emergency; it is the only available resource to get through difficult times. The evidence is clear: Unexpected events, mostly job loss or family emergency, represent the single biggest cause of debt problems for households⁹⁹. Changes in family circumstances typically relate to illness, divorce, an elderly parent needing additional care or new baby¹⁰⁰:

I had no problems with the car or paying for it for the first couple of years. Then my hours changed at work and a reduction in pay...at this time the car needed an MOT and some work doing to it...to the total of just over 300 pound... I borrowed this money and payed for repairs and also borrowed money to pay two monthly installments. (CAG)

My Gran died in 2004, after a long illness and she lived at home with me until 2002. When she died I had all of her debts plus I had to pay for the shortfall of her care. Her total debts with everything amounted to £8500. She had no life insurances, she had put all of her savings into helping me pay the mortgage. I was devastated, when she died. I couldn't get my head around the fact she had gone. My health began to suffer. I had bailiffs coming to the house. I had debt collectors. (CAG)

The reality of the debt safety net is that households must cope with key life events without any recourse to public services or income-support. All of the current evidence shows that what starts as a one-off unexpected event – like job loss or reduction of

⁹⁹ StepChange. (2013). *Statistics yearbook*. Retrieved from <http://www.stepchange.org/Portals/0/documents/media/PersonalStatsYearbook2013.pdf>

¹⁰⁰ Debt Resolution Foundation. (2013). *Demographics and financial circumstances*. Retrieved from <http://www.debtresolutionforum.org.uk/resources/2013-drf-client-survey-demographics---full-report-publication.pdf>

hours, or a heart attack or cancer diagnosis of a family member or more mundane things like car breakdown or leaking roof – forces households to borrow in order to cope. Since households borrow at much higher rates of interest than governments or banks, these debt obligations immediately become a significant claim against household income. Debt is only a temporary reprieve; repayment obligations create household financial insecurity:

It's difficult to say but I always had to manage the money my OH was self-employed and just handed his money over to me at the end of the week, we had debts but they were manageable. Then the double whammy hit I was diagnosed with ovarian cancer it had been missed in a previous test and was now very serious, OH could not cope and left, so it was just my 19yr old daughter and 2 sons we had very little money and only my elderly parents on pensions to help. [...] I did not care I will probably die anyway. (CAG)

Reliance on the debt safety net is not necessarily a universal experience; it is the already disadvantaged – the people the welfare state aims to protect – who are worst hit. Women with dependent children, those experiencing family breakdown and the sick or disabled are much more likely to be over-indebted. The probability of having debt arrears and of debt being a heavy burden are much higher for people with dependent children, who are separated or divorced, the unemployed or the sick or disabled¹⁰¹:

[I'm] a bit of a mess right now i can't eat i can't sleep. Basically due to suffering domestic violence for a long time i am now a single parent on benefits!! And i now can no longer afford to pay any of my debts! (CAG)

The trend is clear: The combination of finance-led growth with withdrawal of services and income support from central and local governments to low income households has led to households at the lower end of the income distribution relying most heavily on private debt to replace public welfare. Whether it is the urban poor 'subprime borrower' or the vulnerable high-cost credit consumer, it is also evident that society's most vulnerable are targets because debt is their lifeline. The very poorest pay the highest price through late fees and interest rate penalties, relying on an inability to pay their monthly credit card bill.

Those unable to access these 'prime' lines of credit are pushed towards the 'fringe finance' market, such as check cashing, prepaid cards, payday loans, pawn loans or rent-to-own financing. All of these services, in essence, place a poverty tax or surcharge on financial services – credit no longer offers a way of getting ahead. Instead, it traps people in a cycle of debt; the more they engage with the system, the more wealth they lose and the more indebted they become.

¹⁰¹ Department of Business, Innovation and Skills (2011) Too much debt: analysis who is over-indebted in the UK, <https://www.gov.uk/government/publications/too-much-debt-analysing-who-is-over-indebted-in-the-uk>

Entanglements of debt and depression

In Section 3, we reviewed evidence demonstrating various correlations and causal relationships between debt and depression. These causal links tend to go in both directions, meaning that vicious circles are a serious threat. However, what this statistical analysis misses is the 'capillary power' of debt, that is, its capacity to invade intimate relationships in the family, community and one's own body. Our analysis of P2P forums demonstrates that for those struggling with debt and mental health problems, it is not possible to easily bracket them from one another. Rather, these complex problems start to become pervasive.

One of the deepest injustices of chronic debt is that, despite the feelings of responsibility and shame explored in the previous section, it can begin with a simple misfortune or unexpected loss, especially when coupled with precarious work or uncertain income. Notably, it is also via the intrusion of debt into everyday life that physical or material problems can tip into mental ones. In that sense, debt has psychosomatic properties:

All was well and good, until I had an accident at work, and was initially signed off for physical injuries, and then for reactive disorder, depression, and was put on anti-depressants. A few weeks off work I handed in my notice at work, as I thought I was better off with out the job. I then carried on on a 'high', spending on credit cards, using them as a means to live on, not wise in hindsight, building up a debt that now has taken over my life. I also registered as self-employed, thinking I could take on the world. (CAG)

One of the characteristics of debt in such situations is that, regardless of the specifics, it can appear as a solution and a problem at the same time. In a society which privileges taking 'responsibility' and 'control' over one's circumstances (as opposed to being reliant on the state), debt can invade any economic, medical or social situation. It begins as a way of alleviating problems and suffering, and then flips into a source of additional problems and suffering.

What becomes apparent reading the P2P forums is that this is especially acute where obligations to loved ones are concerned. Here, the care economy of unpaid work in the home is made visible in the complexity of family, physical health, mental health and economic uncertainty that produces a toxic mix:

Then my Gran became ill, she had a series of strokes and was not able to look after herself properly. I gave up my full time job and worked part time. But there were days when she was ill I couldn't go to work. I stayed at home to look after her. The debts started again, I was working 30 hours a week, looking after Gran 24 hours a day and caring for 2 small children. I was depressed not eating, I had to feed them before me. We were on the breadline. (CAG)

During this time we were also dealing with my mum's creditors as she suffers [from] mental health problems and has substantial debts also. Early on with her, CAG's advice managed to help us get a PPI refund which covered a Santander debt and wiped it out. Given her state of mind, we requested that all of her creditors consider writing off her debts – which none of them did (nor responded to our requests). We made a couple pro-rata offers, which was also ignored, so we decided the best course of action was to ignore the letters and to this day not one of her creditors has received a payment from her. (CAG)

Acting 'irresponsibly' (by spending more money or ignoring creditors) can become a means of keeping the full scale of these intertwined problems at bay. Many forum users report that spending more money is the only way in which they feel able to cope with the magnitude of their debts and mental health problems.

Both quantitative and qualitative evidence indicates that debt is a major stress factor, affecting physical and mental health. The quantitative evidence reviewed in Section 3 highlights the way in which debt is involved in family and marital breakdown. But again, it is important not to focus only narrowly causal linkages here, and to recognise the complexity and overwhelming nature of the problems which people face:

When I got into debt I was married and we both had excellent paying jobs. Then my husband suffered a severe breakdown and was diagnosed with a severe mental health condition, during which time my mum died. My OH lost his job due to the severity of his illnesses and I was already under a psych. team for some of mine and various other specialists for physical illnesses. But I struggled to work because my OH's insurances for various debts including mortgage were refusing to pay out for ludicrous reasons. I fought them and won some but it all got too much. Our marriage broke up because of this stress and continuous harassment for payments. We sold up and paid off as much as we could. (CAG)

Here, we see the circle of debt in all its viciousness. In a society without an adequate public social safety net, debt becomes the way in which individuals strive to recover from misfortune or ill health. But it then turns into a yet more damaging stress factor, even further undermining other forms of social cohesion (in this instance, a marriage).

6: Fantasies of freedom and control

'Looking back I was utterly depressed then, but didn't acknowledge it, I just kept going believing that somehow a miracle would happen and all would be right'. (CAG)

Psychologists and psychoanalysts have long observed that money has a paradoxical status in the minds and behaviours of those suffering from certain forms of depression. On the one hand, to *owe* money is to sink into a melancholic mentality of guilt and regret. On the other, the *spending* of money can produce the feelings of lightness, liberty and possibility which depression renders impossible. It stands to reason that spending recklessly can be all the more tempting to those suffering from depression, as it feels – briefly – like a way out. We outlined evidence of this tendency in Section 3.

In some cases, the psychological relationship to money manifests itself as a form of bipolar disorder. Sufferers swing from a sense that money is pure freedom to the opposite sense that it is pure obligation. As the psychoanalyst Darian Leader argues, when bipolar disorder sufferers spend extravagantly, it can appear that they are acting selfishly and immorally; yet, they are really seeking release from some crushing sense of guilt and obligation towards others¹⁰². These twin poles are built-in to the structure of capitalism, which treats money simultaneously as capital (a store of value from the past) and as liquidity (a means of exchange).

Recent policy developments in the UK based upon happiness economics and cognitive psychology have focussed on teaching benefit claimants to think more positively (using CBT) and behave more actively, as a means of escaping situations of dependency¹⁰³. Training and talking cures are often offered via private sector workfare agencies or in job centres. Motivational quotes are used, such as, 'My only limitations are the ones I set for myself'; these are imbued with their own form of mania¹⁰⁴.

One of the problems with this is that it reinforces a state of melancholia in Freud's sense: If the depressed individual already feels responsible for his or her circumstances, feelings and disempowerment, telling that person to 'take control' or 'be positive' is likely to reinforce that crippling sense of private responsibility. Seeking the causes of misery *within* the self (for instance, suggesting that unemployment is caused by laziness or debt by moral laxity) results in a further lowering of self-esteem and agency. Paradoxically, it may be more empowering to suggest to them that they are *not* entirely

¹⁰² Leader, D. (2013). *Strictly bipolar*. Penguin.

¹⁰³ Davies, W. (2015). *The happiness industry: How the government and big business sold us wellbeing*. Verso; Friedli, L., & Stearn, R. (2015) Positive affect as coercive strategy: Conditionality, activation and the role of psychology in UK government workfare programmes. *Medical Humanities*, 41(1), 40–47; Moloney, P. (2013). *The therapy industry: The irresistible rise of the talking cure, and why it doesn't work*. Pluto.

¹⁰⁴ Quoted in Friedli, L., & Stearn, R. (2015) Positive affect as coercive strategy: Conditionality, activation and the role of psychology in UK government workfare programmes. *Medical Humanities*, 41(1), 40–47.

responsible for their circumstances.

As we shall explore, fantasies of 'control', 'freedom' and 'escape' are also recurring features of financial melancholia. While these can become realised through bankruptcy or drastic acts of abandonment of possessions (or even family), they are more frequent ideas that haunt the minds of the chronically indebted, or can serve to spur on additional spending sprees. They represent utopian ideals of empowerment which can contribute to the debt trap when they fail to realistically materialise.

'Control' as the path to 'freedom'

Two ideas figure prominently in the P2P forums. One is the notion of achieving 'control' over debt and associated problems, including depression. The other is the notion of 'freedom' from debt as the ideal, the 'light at the end of the tunnel', which 'control' might help to achieve. Determination in the face of debt often manifests itself as an even more acute seizing of responsibility for one's situation, with all the attendant stresses and anxieties which that can bring:

I take v mild sleeping tablets some times – if I can't sleep and also v mild tablets for anxiety/mild depression – do I feel bad about it? NO some people manage better some don't – I need to cope, I have children. Do I still get anxious – yes – Do I feel sick on occasions – yes. Do I still worry – yes. BUT IS IT 24/7 NO! I took control before it took control of me. (CAG)

I... worry to the extent of compulsively doing the same calcs over and over again every day OCD apparently. I suppose its my way of trying to keep in control. (CAG)

The battle with debt is frequently expressed in terms of a zero-sum contest for 'control', which some evidently feel they are losing:

I have nowhere to turn and don't know where to start to get things organised. I hate not being in control of my life, but with these debts they are controlling me. I just want to be able to sleep at night. (CAG)

Yet, it is not clear that being in 'control' is necessarily a happier state of being under these circumstances.

Many P2P contributors write of how depression leads them to spend more money, taking solace in a brief abandoning of the quest for 'control':

Yeah I was spending a lot for the sake of spending, much of it in-needed. Some of it was because of depression. (Netmums)

Alternatively, seeking help from others registers as a way of rediscovering 'control' through relinquishing some of it. This can involve difficult feelings of shame that help is being asked for, but typically appears as a positive move:

The way I got through it eventually was by seeing my GP and getting help for my depression. It wasn't easy to do, admitting I needed help, but

I did it and it was the first step to getting my life back. I felt better within days – not because of the meds, but because I realised that at last I was starting to take control. (CAG)

Others speak of using ‘courage’ to seek help from family and friends.

The vision of a life without debt is frequently described as one of ‘freedom’, sometimes represented as a zero-sum game between the creditor and the debtor:

Im 26 years old, and some days I just want to break down and cry. Why is it that these banks are so free to give you their money, but never to assist you when you have trouble. I have been down this road time and time and time again. All ever wanted was to be able to pay my bills, and when I couldn't, be given some freedom until I was in a position to do so again. (CAG)

My partner is 20, i am 19, we've misjudged things in the past and different reasons account for different debts. I know there is no excuse, but i just want to be debt free, as i believe it will make me a happier, more free person. (CAG)

Yet, as depression and debt conspire to wipe out any prospect of a different future, the idea of a future free from debt can appear either fantastical, or only attainable through drastic action. When the prospect of ‘freedom’ becomes too unrealistic, the prospect of wanton spending or gambling can become all the more tempting. The idea of there being ‘light at the end of the tunnel’ is used by some forum contributors, but the light often appears to be receding.

In this context, bankruptcy – often with extreme personal costs – becomes a psychologically attractive option, as it recovers the possibility of a new future, unchained from the past. This is expressed as both self-destructive and liberating at the same time, removing possessions but also debts:

The moral of my little story is simple, no matter what your financial burden, the worst that can happen is that it is all taken away from you and you get to start again fresh. You will be alive and debt free. (CAG)

I filed for BR [bankruptcy] on 23rd Feb 09 using this web site helped alot and when I went to court they were great, very helpful, the judge was a very nice PERSON and understood everything. Since Monday I have slept every night LOL, the creditors are not happy (that's business) I was very ill before going BR and now feel much better, debt free and no enjoying life. (CAG)

Now I can see clearly and I've basically resolved to go bankrupt because I know that in a few months I'll be debt free. I already feel better just knowing I'm going to be free again. I have just finished reading the bankruptcy diaries, an amazing book that had me punching the air as the guy socked it to the banks. [Anonymised] is right when he says in his post that the worst that can happen is that you lose a few possessions so you shouldn't let debt ruin your life; they can take everything I own for all I care. (CAG)

The self-destructive path to 'freedom' can also turn out badly:

In 2000 after years of struggle and 15 years of marriage i walked away with the kids and moved into a housing association house on a council estate which today is in the top 5% of deprivation in the country. we have never been extravagant and both have always worked but there has never been enough at the end of the month to pay for everything. after nearly 18 months of separation we agreed to sell the house pay off everything and go our separate ways we had a crisis with one of the kids and when that was at its highest realised that we needed each other as a family. (CAG)

Sure, you can cope with it, hang onto what you have left, but you know one day that you may have to just turn your back on it all, and leave what you knew behind you, to start a new phase in life. But in doing so, you then make it worse by having no home, nowhere to live but.... The home is where the pain is, the reminder of it all. Been thinking on it for a while now, maybe the only answer to truly escape all of it is to walk through the door, take a few possessions, leave all the rest behind (you know it'll get taken away in the end). There's so much that has been taken away, yet you have given so much of yourself that in the end none of it's makes sense. (CAG)

We can understand the appeal of bankruptcy as a path to 'freedom' when the quest for 'control' no longer seems feasible. The daily relentlessness of managing debt, and the unlikelihood of it ever being paid off, means that radical routes to freedom become more plausible. The option of suicide, which is referred to in some user forums, might also be understood in these terms.

Those living in a state of 'financial melancholia' are desperate to rediscover some agency in their own lives. And yet, the spiral of debt and depression means that this mentality – of guilt, responsibility, quest for 'control' – tends to deepen their sense of failure. For this reason, policy measures aimed at 'behavioural activation', 'positive thinking' and cognitive reframing may even be exacerbating the problems they purport to alleviate. Paradoxically, when individuals seek help, admit their lack of 'control' and give up on the ideal of complete independence, they often start to get their lives back.

7: Treating the unhappy economy

Setting the extensive quantitative and qualitative evidence linking debt and mental health in the conversation with debtors using P2P forums to offer advice and support reveals important potential pathways for addressing the wider 'economic depression'.

It is important to understand that many people have taken on the burden of private debt because they are caring for elderly or sick family members, because they lost their job or because debt is a now fundamental part of daily existence. This makes visible the consequences of cuts to the social safety-net.

Pathway forward: *public acknowledgment of the 'bigger picture' of our financialised economy – which is wholly dependent on debt – when evaluating the human experience of indebtedness.*

Troubling findings by Friedli and Stearn reveal that 'negative' thinking or 'anger' are viewed by workfare contractors in the UK as psychological problems to be fixed through training and techniques such as neurolinguistic programming. As mentioned above, those in receipt of welfare state benefits are given affirmations to internalise. We suggest that this approach is entirely counterproductive, where individuals already feel excessive guilt and responsibility for limitations which are often manifestly *not* 'set for themselves'. The use of positive psychology for 'activating' the most vulnerable in society is woefully ignorant of how depression and financial precariousness interact, and needs to be abandoned.

Pathway forward: *Developing an alternative approach based upon insights from clinical psychology that foregrounds empathising with and listening to the life stories of those struggling financially – this should be made a priority.*

Looking at the ample evidence of the embarrassment people feel about being indebted and the shame experienced when they go bankrupt – which is nothing more than openly admitting that you cannot pay your debts – we see the complex social interplay between different commitments to action as a form of empowerment. When 'debt denial' ends, there is a reckoning: Repudiate your debts through bankruptcy or commit to complete repayment and be debt-free. However, the everyday realities of repayment often turn empowerment into feeling endlessly trapped by the past, while bankruptcy provides a light at the end of the tunnel.

Pathway forward: *recognise that financial debts are routinely created and discharged – the same morality of debt should apply to individuals as to firms, for instance.*

The sense of moral obligation to pay one's debts is a widespread cultural norm which relates to the social origins of the credit contract – credit means 'trust'. David Graeber's *Debt: The First 5000 Years* details the varied and changeable cultural practices of debt that directly contradicts the idea of universal truths about debt as a moral obligation which must be obeyed. Moreover, Maurizio Lazzarato's *The Making of the Indebted Man* sees the asymmetrical power relation between the debtor and the creditor as only

possible because the state continues to transfer public costs to the individual. Quite unlike the 'effort-reward' contract of work, debt entails concepts of guilt and repayment, leading to social, economic, and political 'capture' and 'extraction'.

Pathway forward: *make the case for 'debt relief', both to directly alleviate the suffering of the indebted and as a potential source of economic renewal beyond the endless debt trap.*

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The report's publication is part of a series of activities designed to bring academics, think tanks, civil society and activists together to develop viable solutions to craft an alternative politics of debt across the UK. The endeavour is funded through the Economic and Social Research Council (ESRC) with the intent of mobilising different forms of expertise to facilitate new forms of social innovation.

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The Political Economy Research Centre (PERC) is a new centre for cultural and political analysis of economic life at Goldsmiths University of London. Its work cuts across various disciplines, including heterodox economics, political science, sociology, anthropology, media and cultural studies. It aims to achieve new critical and empirical perspectives on political economy, breaking down boundaries between economics and other social sciences, and between experts and public, in the process.