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You Are Not a Loan

Strike Debt and the Emerging Debtors Movement

BY HANNAH APPEL

WHAT DOES IT MEAN to understand debt as a systemic problem in contemporary capitalism? Basic statistics give us one answer: Medical debt—people unable to pay their medical bills—is the number one contributor to bankruptcies in the United States. Outstanding student debt is over \$1.2 trillion, and nearly one million student debtors default on their loans every year. Across the country, people continue to lose their homes to predatory lending, foreclosure, and refinance schemes. The low-income neighborhoods disproportionately affected by these schemes are also often saturated by fringe finance—payday lenders, check cashers, rent-to-own stores, and pawn shop loan operations—where interest rates can range from 200 to 1000 percent and more. One in three Americans is currently being pursued by a debt collector.

Of the hundreds of millions of indebted Americans, only a small fraction of us are indebted because we buy luxuries we can't afford. Rather, we incur debilitating debt to pay for basic needs—education, housing, and health care. And every debt exacerbates the others: We take out second mortgages to pay for a family member to go to college, or for medical procedures. Families use credit cards to buy groceries because other bills have drained their bank accounts. Credit scores and consumer reports then ensure that people with lower scores pay higher interest rates, thus reproducing cycles of debt and inequality.

Despite this mass indebtedness, people continue to deal with their debt in isolation and often in shame. Strike Debt—a nationwide movement of debt resisters with which I work—receives countless emails from individual debtors, each narrating a story of seemingly exceptional exploitation and pathos: chemotherapy treatment made mortgage payments impossible, and the house was foreclosed on as I lay in bed; my student loan debt ballooned as I worked an unpaid internship and a part-time minimum wage job, and I



Debt doesn't need to be isolating—it can be a platform for collective action. The first step is coming out about our debts.

can't pay off even the compounding interest. *These stories are not exceptional, but ordinary.* We fail to realize our shared predicament because debt remains private, shameful, and guilt-ridden. In order to see debt clearly, we have to reframe it, not as an issue of individual isolation and shame, but as a platform for collective action and political mobilization.

Rethinking Debt: Collectivity, History, Morality

What might it mean to experience and analyze debt collectively? One concrete strategy is to hold debtors' assemblies at which participants "come out" about their debt. Since its emergence in 2012, Strike Debt has been organizing such assemblies in San Francisco, Oakland, Portland, Philadelphia, New York, and beyond. When people talk openly about debt, and begin to share associated fears, anxieties, and confusion, we begin to see our shared burdens as a potential source of shared power. For instance, we realize that we are all debtors, whether or not we have personal loan agreements. As infrastructure crumbles in our cities and towns, as music and art programs are cut from public schools, and as the social safety net rips open wider, we cannot pretend that some of us are debtors while others are not. In my home city of Oakland, California, the 2012 annual debt service was 20 percent of the city budget. We have to bring austerity politics, municipal debt, and even sovereign debt into the same analytic and political frame, not to conflate them with individual debt, but to see how debt is currently used as a tool to ensure that profit moves to the richest while risk and precarity move to the poorest. Debtors' assemblies allow us to dwell together in debt as an immersive, systemic problem, which, in its ubiquity, holds the seeds of its own solutions.

It is not a coincidence that household debt has skyrocketed alongside the exuberant growth of Wall Street

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finance. Whereas industrial production required more and more people to join the labor force, the production of financial products requires more and more forms of indebtedness. Consider a simple example: General Electric used to make light bulbs and washing machines. It still does, but now the corporation's GE Capital branch (which engages in commercial lending and leasing, consumer financing, energy financial services, real estate, and retail financing) generates roughly one-third of the corporation's revenue. As capital increasingly turns to financial products to generate profit, political theorist Robert Meister notes that the financial sector now mediates our access to the means of subsistence—food, shelter, medical care, and education—through debt.

Finally, we must also rethink debt by moving our moralizing impulses from the debtor (who is often imagined as irresponsible or a drag on the economy) to the creditor. The recent financial crisis demonstrated clearly that banks are not ashamed of their debts. They treat them as mere contractual agreements to be renegotiated, written off, restructured, or securitized and sold to others. Banks also understand their debts as political power; they exercise this power not only to put taxpayers on the hook for their bad debts, but also to secure federal government protection through the threats of “too big to fail” or “systemically important financial institutions.” Banks are also implicated, of course, in our vicious cycles of household debt. As New York University professor Andrew Ross has pointed out in his recent book *Creditocracy and the Case for Debt Refusal*, debtors are most profitable to creditors when they remain in debt. People who carry balances and make small payments are known as “revolvers” in the industry and are the most sought-after customers. Those who can afford to pay monthly balances in full are known as “deadbeats.” The creditors’ goal, arguably, is to extend everyone’s debt service forever.



Wearing “hello, my debt is . . .” nametags, activists take part in a Debtors Assembly in East Oakland, California.

In sum, debt is systemic—a widely shared status, re-inforced and reproduced from our most intimate emotional understandings of ourselves, through our powerful and arrogant financial institutions, to the largest structural and historical political-economic changes of the last thirty years. What is to be done?

Debt Abolition and Resistance

Alongside the imperative to rethink exploitative debt is the imperative to resist and re-imagine it. Along with Strike Debt, the Jubilee Debt Coalition, Jubilee South, the International Citizen Debt Audit Network, the Committee for the Abolition of Third World Debt, the Gulf Labor Coalition, and the Plataforma Auditoría Ciudadana de la Deuda, are a few of the other groups doing resistance work. Emerging from Occupy Wall Street, Strike Debt's Rolling Jubilee project and *Debt Resisters' Operations Manual* have been some of the most visible resistance projects in recent years.

The Rolling Jubilee, “a bailout by the people for the people,” can be understood as a hack of existing debt infrastructures—the byzantine but profitable paths through which distressed consumer debt travels. To explain: defaulted debt gets sold to debt collectors on secondary markets for pennies on the dollar. In other words, if a hospital sells a \$1000 unpaid medical bill to a debt collector for twenty cents on the dollar, or \$200, the debt collector makes its profit by demanding the full amount from the creditor. If the medical debtor ends up paying the full \$1000, in addition to penalties and fees (as most people do), the debt collector's profit will be more than \$800, or over 300 percent. To create the Rolling Jubilee, an arm of Strike Debt jumped through the regulatory hoops to be certified as a debt collecting agency, and then crowd-sourced over \$700,000 to buy \$14.7 million (so far) in defaulted medical debt. Instead of harassing individuals to collect it, as debt collectors do, Strike Debt abolishes it.

While the Rolling Jubilee provides relief to a handful of people struggling with medical debt, it is not a systemic solution. Rather, it is a spectacular tactic—literally a spectacle. It draws attention to the ways debt circulates far beyond the creditor-debtor relationship to include secondary markets, debt collectors, tax write-offs, and beyond. Debtors often imagine our debts as an almost personal relationship between debtor and creditor: The creditor lent to me, and I am not only contractually but also *morally* obligated to repay. But in today's financialized economy, the great majority of our debts cannot be characterized as intimate relationships between debtor and creditor, but rather, as small pieces of tradeable assets and larger financial products. The Rolling Jubilee begins to pry open the creditor-debtor relationship, showing debt's many potential forms which, to date, only creditors have been able to exploit. In addition, by showing people that the market value of their debt can be as little as 2 percent of its original “value,” the Rolling Jubilee

empowers debtors to resist paying 100 percent or more on often odious debts.

The Debt Resisters' Operations Manual, originally released in September 2012 as a 120-page pamphlet and updated into book format in 2014, is a collectively written, chapter-by-chapter guide providing detailed strategies for fighting common forms of debt and laying out an expansive vision for debt resistance. The manual is freely available online at strikedebt.org/drom, and Strike Debt is dedicated to putting the book in anyone's hands, regardless of ability to pay. Those who can pay retail price (sixteen dollars or above) subsidize those who cannot.

Both the Rolling Jubilee and the *Debt Resisters' Operations Manual* lay the foundations necessary for a debtors' movement. But neither, by itself, helps to organize collective action. We need a stronger collective organizing tool. Enter the "debt collective."

The Next Step: Building Debt Collectives

The need for a debt collective grows from our awareness that every month, student debtors, medical debtors, mortgage debtors, and others make payments under often egregious conditions set by creditors, with little power to bargain or negotiate. Indeed, today's radical power imbalance between debtors and creditors is one of the primary means by which a disproportionate share of the nation's wealth is concentrated in the hands of a few. The goal of the debt collective is to change this basic equation by creating and empowering a constituency of debtors for organization, advocacy, and resistance.

Built on the model of a labor union, a debt collective would offer diverse organizing possibilities in an era of austerity, unemployment, and workplace precarity. It would organize debtors into groups capable of collective bargaining and leveraging the credible threat of debt strikes, as Paul Hampton explores in this issue of *Tikkun*. It would also serve as a platform for articulating a positive vision of a sustainable economy in which credit and debt become socially productive.

Organizing debtors is complex, and the barriers to organizing a debt collective are high. There are no shared factory floors. People in debt to the same institution are geographically remote and disconnected from one another. Many debtors don't know who profits when they pay their debts, or who stands to lose if they don't. Debtors struggle to distinguish originators, aggregators, guarantors, and servicers. For instance, most student debtors think they have Sallie Mae loans because Sallie Mae is their servicer. But many are actually in debt to Citibank, Chase, Deutsche, or the Department of Education. And of course, once our student loans are repackaged as asset-backed securities, they are dispersed further still.

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To begin to overcome this dispersion, the cooperative power of a debt collective will rely in part on a web-based technology that would present a clear picture of creditor-debtor relations. This tool would make it simple and secure to collect data from debt collective members, with permission. For example, if I have student debt serviced by Sallie Mae, I can join the Sallie Mae union. Organizers could use that information to develop regional or lender-specific campaigns against predatory creditors. A platform to gather and analyze debtors' voluntarily supplied data enables us to develop new sites of collaboration and resistance toward a more just distribution of essential resources. Debtors can harness our collective power both to demand large-scale debt renegotiation and credibly threaten mass refusal of illegitimate debts.

One outcome of successful organizing could, of course, be a debt Jubilee—the forgiveness of all debts, or certainly those deemed to be odious or contracted in bad faith. But we can't stop there. Debt Jubilee would be a significant victory, but only on the way to what Hampton refers to in this issue as counter-power: a durable shift in the distribution of political and economic power such that both creditors and debtors

would negotiate the terms of every contract. Were a Jubilee to occur as a “benevolent gift” from creditors to debtors, without an accompanying power shift, crises of indebtedness would continue indefinitely because debtors would remain without a seat at the bargaining table. Moreover, if Jubilee were to occur without a substantive reimagining of our economic system, our debts to the environment and the debts of the Global North to the Global South would only continue to spiral.

Reimagining Debt

As we begin to imagine and enact collective debt resistance, it is important to remember that our goal is not a debt-free society. Indeed, socially productive forms of debt and credit can and should be part of a healthy economy. And yet, a healthy economy must first provide debt-free access to life’s basic necessities. For instance, only a few decades ago, American public colleges and universities were free or close to it. We are told that making higher education free is prohibitively expensive in today’s austerity-driven political arena. But, according to the research of labor scholar Bob Samuels and others, after stripping off the amount that the government *already* spends to subsidize higher education—including predatory for-profit institutions—the total amount of new money necessary is less than \$13 billion a year. This

is a fraction of 1 percent of yearly federal spending—merely a rounding error. Rebuilding robust public institutions for education and health care would go a long way toward solving our current debt crisis.

Once basic needs are met without debt, socially productive forms of debt and credit can and should be part of a healthy economy. With a strong debtors’ movement, debtors will participate in negotiating the terms on which we take on, use, and repay debt. Accompanying debtors’ movements is also the broad effort to completely reimagine finance as a public good. San Francisco, Santa Fe, Philadelphia, and Seattle, among other large cities, as well as the state of Vermont, are considering full-fledged public banks, such as the one that is currently boosting North Dakota’s economy, while smaller cities like Richmond, California, and Reading, Pennsylvania, are experimenting with a variety of public interventions in finance. Finally, if we are to survive, an economic model based not on perpetual growth and hence perpetual exploitation of our natural resources will have to be created. Here too, many thinkers and activists are developing new visions of a society in which our debts are to our friends, our families, our communities, and our environments, and not to profit-hungry corporations. Join us! ■