

You Are Not a Loan

Ross [00:00:28] Welcome to Renegade Inc. It was the German philosopher and economist Karl Marx who said that there must be something rotten at the very core of a social system which increases its wealth without diminishing its misery. Today, there is no doubt that our social core is not in great shape. But where did the rot set in? The relationship between debt and humans is central to our history and our society. So as so many of us now have to take on debt just to survive, is it actually the case that in a rotten system the 1 percent always need an indebted 99 percent to fund their unearned lifestyles?

Ross [00:01:22] There are very few people in the world now who would say that inequality isn't one of the greatest social problems that we face when it comes to thinking about inequality through the idea of debt and credit. What have credit and debt done to fuel inequality in developed economies?

Andrew Ross [00:01:41] That relationship, I mean the relationship between debtors and creditors is ancient. It's fundamental to human society and social life. Societies, I think historically, have tried to regulate or place limits on that kind of power that creditors have over debtors. So there's a lot of pushback when, for example, interest rates are raised above a certain level in certain societies or when people are in such debt imposed situations that they have to sell members of their family into slavery, which has also happened historically. So I think in recent years, probably the last 25 or 30 years or so, we've seen a lot of relaxation of that regulation. And what that has meant is the power of the creditor class has become much more reinforced and has meant that as a result, there is meant many more profits that are being funneled to creditors and those who have investments with creditors. And correspondingly, the mass of people who are indebted and simply cannot pay back their debts has risen.

Ross [00:02:48] Is that a primary driver of inequality from where you're standing?.

Andrew Ross [00:02:53] I think statistically, if you look at the source of income of the top tier of society...

Ross [00:02:59] The 1 percent.

Andrew Ross [00:03:01] The 1 percent. If you look at where that income is being generated from, the lion's share of it is generated from unearned income, which is income from economic rents that are mostly derived from relationships of debt. So, yes, I mean, you can show that in a curve over the last 30 years or so.

Ross [00:03:23] A really encouraging aspect to your book was that you referenced economic rent 15 times. And those words in that concept have been as the creditor class have been in the ascendancy, they've been sort of brushed a little bit from economic history, in fact, a lot. What is economic rent and why do you reference it so much in your book?

Andrew Ross [00:03:45] Well, technically speaking, you know, economic rents are income derived from investments or interest and debts and go beyond what we usually think of when

we think about rents, you know, on our properties. A tenant paying paying rents, economic rents, are financial rents, basically - unearned income that doesn't come out of the productive sector of society or the economy.

Ross [00:04:10] So with that in mind, define a creditocracy?

Andrew Ross [00:04:13] Well, creditocray is the name I gave to the kind of society where most of the population is very heavily and that they'll never be able to pay off. I mean, the liberal response to that is to say, well, why would anyone want that? I mean, why would creditors want that? Surely that's that's not good for them in some way. But that's the wrong question to ask in a way, because creditor class does not want you to pay off your debts for the same reason they don't want you to pay off your credit card balance at the end of the month. They want you to roll over that debt to the next month. They benefit from it because you pay penalties, you pay late fees and so on and so forth. And so the object really is to keep you in debt for as long as they possibly can to keep on extracting from you. If you pay your credit card balance at the end of the month, you're not generating any profit for it though That's free credit and in industry what they call you is a deadbeat. That's a term in the financial industry for people who pay off their debts regularly.

Ross [00:05:13] But isn't it ironic that the system has capsized to such a degree that we now refer to people who are deadbeats as actually having a good credit history and are reliable enough to pay their debts?

Andrew Ross [00:05:24] I don't think it's ironic. I mean, I think it's fairly blunt, but that's the ideal citizen in a credit autocracy. Someone who rolls over their debts has got a revolving debt, technically speaking.

Ross [00:05:36] Why isn't that ironic, though? Because somebody who is of clean credit and gets rid of all the debt and doesn't have debt we call him a deadbeat.

Andrew Ross [00:05:43] Well, we don't call them a deadbeat. The financial industry calls them a deadbeat. And from their perspective, they're right. These debtors are not generating any profits. So the goal really is to keep us on the hook for as long as possible until the day we die. Because if you pay off your debts, then you're of no use to the creditor class. And that's one of the reasons why we're seeing a marked demographic shift in the debt burden towards the elderly in countries like this. More and more people are being asked, for example, parents and grandparents to co-sign the student debts of their children. So they're on the hook. And instead of enjoying a relatively debt free golden period at the end of your life, you're bearing their burden. One of our approaches - when I say 'our' I mean the debt resistance movement - one of our approach is really is to look at households and see how different kinds of debt are interconnected, that medical debt and housing debt and education debt and credit card debt all flow through our household. And they're very much interdependent. And it's sort of artificial in a way to separate one out from the other. But people do it just because it's easier to do that. But if you're faced with a medical emergency and you have high medical bills, it's going to impact all the other parts of your household budget that you use for servicing other debts.

Video clip [00:07:09] I'm Hillary. I'm governor of Ho Street Central Bank, where we're sitting now. And I'm Dan and I am the head of explosives.

Hilary Powell [00:07:16] The Ho Street Central Bank we opened almost two years ago with the purpose of raising enough money to buy up and explode, like cancel, one point two million of local debt by printing our own money. Kind of given ourselves the power of central banks.

Daniel Edelstyn [00:07:33] Yeah, we wanted to imagine, you know what it might look like a kind of localized quantitative easing for the people rather than for the higher up establishment.

Hilary Powell [00:07:43] We raised 40000 pounds, 20000 went to the local people that were the characters on our bank notes and the other 20000 pounds brought up the one point two million of local payday, kind of predatory debt and cancelled it. But that was very kind of an invisible act. It's all spreadsheets and behind the scenes. And because the whole purpose of this project our bank job is a community heist on the financial system. We then set about exploding quite literally that debt in a debt in transit van in front of the towers of Canary Wharf in London. And we called it Big Bang 2 after Big Bang 1, Thatcher's Big Bang in 1986 and the kind of sudden deregulation of the banks and the stock exchange which led to the contributing factor to the next 30 years of neoliberal financialization. So we thought we'd stuck it to the man. But actually now sitting in this bank...

Daniel Edelstyn [00:08:41] The man stuck it to us. Yeah, cause we're literally in chaos, just beginning to move out of the bank because the owners upstairs want to sell it, but they don't want to sell it to us. We could easily meet the 2.5 million they want if we were allowed to do it with our own money, of course. We'd have printed the money that we print here. But they want hard currency. They want pounds. When this project started out, it was really to try and sort of articulate some of the feelings that Andrew Ross was expressing so clearly in that book, Creditocracy, along with his colleagues now in the Debt Collective. And I went as a film maker, you know, just to meet Andrew Ross and to find out what they were up to. And while preparing to do that, I read his book, obviously. And David Graeber's book, Debt: The First 5000 years. And I did feel at the time that the scales were falling away. You know, I was understanding what was truly happening under the bonnet of our culture and our economy, you know, in a way that I had never been able to grasp previously.

Ross [00:09:52] So if we got the definition of credit toxicity, and it seems to me that the US is the absolutely perfect test case for. When you talk about the creditor class, then we also have an oligarchy because what we're actually talking about in a different way are trickle up economics. People talk about trickle down economics, you know everyone else is going to get better, rising tides, lifts all boats, all this very visual language. But actually it seems to me that a creditocracy that you write about naturally breeds an oligarchy.

Andrew Ross [00:10:23] Yes. Well, the question is really, you know, which comes first, the chicken and egg question there, because oligarchs are always looking for ways of reinforcing their power to sort of have control over financial instruments like that and financial instruments that really penetrate deeply into people's lives. And there's a lot of morality attached to those instruments, payback, morality. This gets drummed into you from a very

early age that you should pay back your debts or you are fundamentally and morally irresponsible. Without that payback morality, the financial industry wouldn't be able to function.

Ross [00:10:58] Let's just come back to irony briefly. A lot of financial institutions never pay back the debts.

Andrew Ross [00:11:03] They don't pay back their debts. They're not asked to and when they find themselves in trouble, as was brazenly evident during the financial crash, they got bailed out.

Ross [00:11:14] If it isn't an oligarchy that we're talking about here, which is enforcing, if you like, the creditocracy, and I know you said that it's chicken and egg which came first. Let's just venture that the relaxing of those rules, the credit rules and that actually the oligarchy came first. Well, no, but you know, that group of people engineered this situation. What sort of impact does this have on active, vital, vibrant democracy?

Andrew Ross [00:11:39] It has a terrible impact on democracy. I mean, that's why we have failed democracies all over the world. And this story really begins I mean, not in the global north, but in the global south, when so many countries' path to independence after colonization was stymied by this imposition of debt, taking on a massive amounts of debt, which became a debt trap. And what happened in 2008 was remarkable because the debt trap migrated from the global south to the global north. And suddenly you found countries, especially the peripheral democracies in the EU, the Mediterranean democracies in exactly the same debt trap.

Ross [00:12:19] Greece as a case in point.

Andrew Ross [00:12:21] Greece, Italy, Spain, Portugal to a lesser extent. But Greece was a test case.

Ross [00:12:25] The poster boy.

Andrew Ross [00:12:27] And those countries were put in the position where there elected officials had to serve external creditors as opposed to serving the needs of their citizenry. That was the demand that was made of them. And when you reach that point and in democracy, then clearly that's a failed democracy. And we're seeing that not just in sovereign nations, but also in cities. Cities have to balance their municipal budgets and there are more and more beholden to Wall Street creditors and also in states in this country and institutions for that matter. We're here in an educational institution that struggles to balance its budget for some of the same reasons, because we have massive debts to Wall Street creditors at an institution like this.

Ross [00:13:13] So it's not just the students in debt, it's the university in debt?

Andrew Ross [00:13:16] It's the university that is heavily in debt. But unlike a corporation which can have its credit rating downgraded periodically because of some market failure,

students will go on paying their fees at a university like this. You're not going to stop paying your fees. And if you want more revenue, you simply raise the fees.

Ross [00:13:48] In that first half, we talked about morality and this need to pay back that because it's drummed in from a very early age. But we also talked about this idea of the debt trap coming from the global south to the global north. Is it the case that creditors, the creditor class in developed economies, have still got an empire state of mind. But because we can't go around the world smashing it up as freely as we could back in the day, empire, empire 2.0 is actually the creditor class turning on their own people, whether it be students, nurses, doctors, whoever, in fact, whatever their vital role or function turning on their own to enrich that creditor class of people?

Andrew Ross [00:14:34] I think that's true. I mean, it's not a new story for working people. I mean, they've always been very heavily in debt and on the bad side of credit. And poor people always pay more and have always paid more in interest in servicing debts of all kinds. What we've seen, however, in the last 20 or 30 years or so is that condition begin to move up and go upscale and involve middle classes in a debt trap, whether it's a housing debt trap or an education debt trap or in this country, medical debt trap. So I guess that's that's where I really see the emergence of a creditocracy. It's no longer a society where everything can be turned into a transactional commodity, it's a society where access to public goods and social goods has to be debt financed and where there is a toll put on almost every income stream and revenue source in people's daily lives. And that toll is a source of income for the creditor class and because it's been creeping upwards and now affects a much larger slice of society than it used to do.

Ross [00:15:44] And is it a boiling a frog moment because people just begin to accept it, it creeps slowly. People just say, well, that's life. And they're sort of resigned to the fact that they've got are out working and actually got a creditor with his or her hand in their pocket?

Andrew Ross [00:15:59] I think there's an element of that. I would call it normalization. I mean, after the financial crash, there was a lot of outrage and anger and resentment and justifiably so against the banks, the predicament that they put the rest of us in and the ease with which they escaped from their own criminal responsibilities and liabilities and so on and so forth. And for a while we did see levels of household debt decreasing. Round about 2013, third quarter of 2013 or so, they began to rise again because it became clear that bankers weren't gonna get thrown in jail, there wasn't gonna be any punishment so they could jump back into the lending game. And economists pretty much convinced us that it was safe to start borrowing again. And as a result, we've seen this inexorable rise to new peaks. And globally, the numbers are off the scale in terms of total global debt.

Daniel Edelstyn (video clip) [00:16:56] My question was, is Britain a creditocracy? But the question was so big and debt is so elastic, it's hard to get a kind of handle on it. So what I decided gradually to do was to say, is Walthamstow a creditocracy? Is this area of London a creditocracy? And I began to look around and the first person I met was Gary Nash, who who runs the local food bank. And he told me that his referrals had never stopped increasing since he opened it. And in fact, with universal credit, more and more people were going into debt whilst also being in full time work. We're like a massively deprived borough at the moment. Now, this I think it's towards 40 percent child poverty in this borough. And so I began to

think, yeah, it feels like a creditocracy here. So then the next question was, so what do we do about it?

Hilary Powell [00:17:39] The kind of educational aims of the project has really grown through having a base has really helped. So we've had events and workshops in here. So whilst we've been literally printing money, so using the letter press and the for blocking and the screen printing to get people involved in these kind of tactile processes, which opens up conversations. And we've had universities, local primary schools, local sixth form colleges and we've gone out again to other places. So now there's projects from Northern Ireland to Plymouth that are kind of trying to echo what we're doing here. But actually now when the film comes out, Bank Job, the film that will travel and have the same kind of we're planning for it to make sure it has that same kind of impact of where it arrives in communities and universities, it kind of triggers these educational action points that people can take away.

Daniel Edelstyn [00:18:29] I don't really think it is radical what we're doing. I think what the government is doing is radical. You know, what they're doing is tearing away at the fabric of our society. What we're doing is holding a mirror up to them and challenging that. For me, that's not radical, that's just responsible.

Ross [00:18:47] If we take Goya, the Spanish artists famous picture Satan devouring his son, famous black painting of that era. That could be a - and I know it's gruesome - but it could be a visual depiction of what we're actually doing to younger generations, specifically students. What is the impact of loading students with so much debt and ironically, universities with so much debt when it comes to talking about things like a lost generation, a capitulation of a society, a hollowing out of a country? Am I too graphic with it or are these very real concerns?

Andrew Ross [00:19:21] I don't think you're too graphic at all. I think we can be graphic enough about this predicament. I don't favour the metaphor of eating the young because it suggests that there is a sort of intergenerational conflict there. Seeing it that way is a diversion from what our goal really should be, which is take a clear, hard look at the profiteers and the predatory creditor class that really doesn't distinguish between these things at all or generation's takes its profit wherever it can has exhausted profit taking in the present because, you know, manufacturing is not what it used to be and increasingly circulates paper claims in the future. That happens to be where younger people are right now, but in 20 years, they're going gonna be middle aged and 20 years later they're going to be elderly. So to me it's trans generational and I think the conflict between generations is a bit of a smokescreen. You know, the solutions that I look to and have become involved in have been solutions driven by debt resistance movements. And there's a long history of debt resistance movements - revolts and civil society, resistance to in recent history, we can point to the efforts to abolish Third World debt global south that in the 1980s and 1990s. Again, some of the arguments that were used for the immorality and the odiousness of Third World debt has gravitated now and migrated towards the landscape of household debt in countries like this. We see similar arguments being made about the morality or the immorality, rather, of burdening people with debt when they can't pay it back. So the moment of Occupy Wall Street was very important in this country in that regard because it really did generate a whole new wave of debt resistance groups. And many of which I've been involved in over the years that have tried to tackle the problem and elevate the issue to a certain level of public opinion,

public scrutiny. That means that we're now seeing legislative efforts being made to try and address it. We've always argued that debts that only benefit the creditor, ultimately, and debts that are imposed by creditors when it's pretty clear that the lender can't pay back the debts either. They are odious debts. They are illegitimate debts. And to resist them as a form of economic disobedience, which is perfectly justified.

Ross [00:21:59] And what do you say to those people who have gone through the system, played by the rules, paid off their debt, and then they come to you and say, Andrew all very well and good, mate. But you know what, I did my job. I did a shift. You're going to create a moral hazard here by just getting rid of all these student debts?

Andrew Ross [00:22:14] Well, I say, you know, you were mugged and now you're asking for everyone else to be mugged. To me, it's not a fair response. It's unfortunate that you felt obliged to pay back your debts, but that is absolutely no reason to take a position that everyone else should faithfully pay back debt. They can't pay anyway. It's not a question of being able to pay back debts. These are debts that will never be repaid. One million student debtors default on their debts every year. De facto, they're not paying back their debts. They cannot do it.

Ross [00:22:47] The interesting thing about that stat in the US is that they do that and often they do it alone in silence because they don't know that the exact a million other people or in exactly the same boat.

Andrew Ross [00:23:00] Yes.

Ross [00:23:01] Should they not be beginning to talk to one another and say, you know what, actually, because then that bigger action...?

Andrew Ross [00:23:08] Yes, that's exactly what we tried to do initially with the Occupy student debt campaign. Occupy student campaign, I was one of the founders, we we put out a call for people to sign on and say we'll refuse to pay back our debts once a million others sign up. It's very ambitious. We got nowhere near that number, but we did a lot of good work in raising the profile of the problem. And we learned a lot about the psychology of student debt. But here's the irony. That year a million people did default on their debts.

Ross [00:23:40] Right.

Andrew Ross [00:23:40] But of course, nothing happened because it wasn't collective. So we had to figure out a way of making collective action work. And so we started on a much lower level several years later through the debt collective started a much smaller debt strike among students who had been scammed for profit colleges. And the debt strike started with only 15 people and it grew in size. And eventually we found a way to to make the Department of Education accountable for relieving these debts and the some so far is a billion and a half dollars of debt relief. And so we find to that and say, well, yes, collective action does work even if you start small. And that's our proof of concept. And now we're moving on to a more ambitious phase of that program.

Ross [00:24:33] How much is it going to cost the American government, the American people, America as a country? How much is it going to cost them not to address the student debt problem?

Andrew Ross [00:24:42] It's very simple. Technically, in terms of numbers, I mean, to make colleges, public colleges tuition free, it wouldn't cost much more than 70 billion dollars, which is a line item in the military budget. The federal government already spends almost as much money subsidizing the current debt system. So in terms of those numbers, not a lot. In terms of the advantage and the benefits to a functioning democracy? Immeasurable. I mean, you couldn't put a number on that. And I think it's important to understand that the government actually profits immensely from its debt system, from extending student loans.

Ross [00:25:26] How?

Andrew Ross [00:25:26] Every year, tens of millions of dollars in pure profit. It's difficult sometimes for people to think, oh, the government profits from this. And where does the money go? It doesn't go back into education. A lot of it goes to pay down the military. That is the most immoral thing you can imagine, profiting from the need for education on the part of our citizenry and then using the profits to pay off military debts, which are the result of adventurism and profiteering in other parts of the world.

Ross [00:25:56] If you cast your mind seven years from now, what does the American economy look like specifically when it comes down to the student debt problem? What does the political landscape look like? And more importantly, what does the student landscape look like at that time from where you're standing?

Andrew Ross [00:26:13] I mean, I would express it in terms of my hopes that there is a large measure of debt relief that is passed and that most public colleges in one fashion or another have become tuition free. I mean, that's eminently feasible. But also that there is massive reinvestment in public higher education. I mean, this is 21st century. This country was able to do this in the 19th and 20th century with elementary and primary school education considered to be basic right and a basic need in an industrial society. In a post-industrial society, higher education is that passport. And most other industrialized countries in the world are able to do this. None of them as rich and as affluent as the United States. I mean, if you won the best example, go south of the border in Mexico. Mexican universities are perfectly good. They're tuition free. It's a country does not have anything like the resources of its northern neighbour. So there's no economic reason why this is not possible. It's an issue of political will.

Ross [00:27:21] Andrew, thank you very much for your time.

Andrew Ross [00:27:23] Welcome.