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Debt as a Primeval Weapon of Dispossession (part 2)

# Breaking the Vicious Cycle of Illegitimate Private Debt

- Features -

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**Throughout human history, private debt has been used by the dominant classes to subjugate, despoil, expropriate, and dispossess the toiling classes (among whom women have always been the hardest-hit victims): small farmers, artisans, fishers, and on up to the salaried workers of today and the members of their households (students, who go into debt to pursue their education).** [1] The process is simple: the lender requires that borrowers pledge their possessions as collateral. This can be, for example, the land held and cultivated by the farmer, or in the case of an artisan, the tools of his or her trade. Repayment of the loan must be made in cash or in kind. Since the interest rates are high, to repay the loan the borrower must transfer a large share of the fruits of his or her labour to the lender, and so becomes impoverished. If the borrower defaults on repayment, the borrower is dispossessed of the pledged collateral. In some societies, that can mean a loss of freedom for the debtor and/or the members of his or her family. This is called debt slavery. Under the laws of the United States and certain European countries, failure to repay a debt was punishable by physical mutilation until the early 19th century. And still today, in Europe and elsewhere, non-repayment of debts may be punishable by imprisonment.

## Private debt during the capitalist era

In Europe, in the 17th and 18th centuries, private indebtedness among the working classes and the repression of non-payment of debts contributed to creating a proletarian mass: imprisonment, mutilation, and the creation of penal colonies contributed to forcing impoverished citizens to accept work in factories. This is one of the sources of the primitive accumulation that enabled capitalism to impose itself as the dominant mode of production, first in Europe and then in the rest of the world. [3] A large part of the proletarian mass who moved to the cities where factories were beginning to develop was made up of heavily indebted people from the countryside who had been dispossessed of their land.

Non-payment of debts was violently repressed through the middle of the 19th century in the countries at the centre of the burgeoning industrial capitalist system: Western Europe and North America.

Poor people who were guilty of not being able to repay loans were punished with harsh prison sentences. Capital punishment was frequently applied in England until the 18th century. In the United States, in the State of Pennsylvania, at the end of the 18th century, those unable to repay loans could be sentenced to be flogged and put in the pillory with their ear nailed to it. The ear was then cut off. Debtors were also subject to being branded. In France, prison sentences were systematically handed out. In addition, of course, offenders were evicted from their homes and all their possessions were seized.

[<https://internationalviewpoint.org/IMG/jpg/pd1.jpg>]

In the United States, shortly after independence, protest movements were organised by farmers whose land and goods had been confiscated for non-payment of taxes. The payment was required in cash, whereas many farmers had little or none, since they lived essentially through bartering and in-kind payment. Many of these farmers had served in the revolutionary armies but had never received all their pay. In Massachusetts, in 1782 at Groton and again in 1783 at Uxbridge, citizens organized and attacked the local authorities, demanding the return of confiscated property. At the start of Shays's Rebellion, in 1786, mobs prevented the courts from sitting at Northampton and Worcester after Governor Bowdoin increased civil actions to collect tax debts and the legislature imposed an additional property tax to finance payment of Massachusetts's share of the United States' foreign debt. Daniel Shays,

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after whom the movement is named, was himself an unpaid veteran. He had been taken to court for non-payment of taxes.

Beginning in 1798, debtors organized a self-protection movement and demanded the adoption of legislation protecting them against the whims of creditors and the courts. A federal law was adopted in 1800, but the protection it afforded was limited to bankers and merchants in default of payment. And in any case, the different States continued to apply their own laws, which most often favoured creditors.

[<https://internationalviewpoint.org/IMG/jpg/shaysrebellion-1a280.jpg>]

Scott Standage [4] cites an 1828 book, *The Patriot, or, People's Companion* which argued for the abolition of debtors' prisons on the grounds that debt was a form of "civil slavery" comparable to the slavery of the Blacks, neither debtors nor slaves having any protection under the Constitution.

The hope of escape from creditors was one of the causes of the migratory flow from the Eastern United States to the Far West.

The majority of Europeans who took part in the colonization of the New World in the 17th and 18th centuries had gone into debt to pay for their voyage, and consequently found themselves in a state of servitude to their creditors. Over many long years, they were forced to repay the initial debt and were threatened with prison or mutilation should they fail to pay. It is estimated that between half and two thirds of the Europeans who settled in the thirteen British colonies in North America between 1630 and 1776 came under indentured servitude. [5] This type of debt servitude was not abolished in the United States until 1917.

The same type of debt contract was applied throughout the British empire to finance colonisation. Millions of poor people left India to settle in the British Caribbean, Mauritius, South Africa, and other parts of the empire as indentured servants. In Mauritius alone, between 1834 and 1917, nearly a million and a half Indians settled after being forced by poverty to accept debt servitude contracts. [6]

In 1875, in India, in the vast region called the Deccan, uprisings broke out during which indebted peasants set out to systematically destroy moneylenders' account books and in effect repudiate their debts. [7] The revolt lasted two months and involved some thirty villages covering 6,500 sq. km. A parliamentary investigatory commission was put in place in London and in 1879 the Dekkhan Agriculturists' Relief Act [8] was adopted, providing a certain degree of protection for indebted peasants.

In 1880, a debt crisis affected small and medium farmers in the United States. It happened again on a massive scale in the 1930s, as chronicled by author John Steinbeck in his famous novel *The Grapes of Wrath*, published in 1939. These successive crises resulted in the dispossession of millions of indebted farmers in the United States for the benefit of major private agribusiness corporations.

In the 19th century, when the Industrial Revolution and the expansion of capitalism became generalized, owners implemented the "truck system," which enabled them to keep employees permanently in debt. Workers, in lieu of payment of wages in standard currency, were given a substitute currency or scrip which they could spend only in the company store [9] to buy all the basic goods they needed to live – food, fuel for heating and lighting, clothing, and so on – at exorbitant prices, with the purchases deducted from their pay. Very often they were forced to recognize a debt since their expenditures exceeded the amount of their wage. Workers were forced to struggle hard against this system. It was one reason why workers organized cooperatives (bakeries, etc.) to produce food or sell basic necessities at affordable prices. The truck system was eventually prohibited.

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The decades after the Second World War are characterized, in the most industrialized countries (and also in several countries of the global South, such as Argentina), by a period of strong economic growth during which workers, through organized struggle, were able to achieve major social advances such as significant increases in purchasing power, consolidation of social-security systems, and improvements in public services, in particular education and health care. States also nationalized a number of industries, which strengthened their power to intervene economically. The populations benefited more from the wealth that was created, and the share of wages in the GDPs increased.

As a result of the neoliberal offensive begun in Chile in 1973 with the dictator Pinochet, then in Argentina in 1976 under the Videla dictatorship (both dictatorships having enjoyed active support from Washington) and later consolidated by Thatcher and Reagan during the 1980s, real wages shrank. In the industrialized countries, mass consumption continued to progress at the cost of greater and greater indebtedness of the population. [\[10\]](#) Government leaders, banks and major industrial and commercial corporations encouraged households to go into ever increasing debt.

## Imprisonment for debts relating to unpaid fines has not fully disappeared

Astonishing as it may seem, non-payment of private debt, and more precisely private debt or fines owed to the State, is still subject to imprisonment in several European countries, despite its being prohibited by several international conventions. [11] In France, imprisonment for debt was abolished twice for brief periods, in 1793 and in 1848. It was eliminated permanently in civil and commercial law by legislation dated 22 July 1867. French criminal procedure eliminated imprisonment for debt concerning damages granted to civil plaintiffs in criminal cases in 1958. Today, imprisonment for debt exists only for court-ordered fines, court costs and payments to the Treasury, and only if the offence comes under common law and is not punishable by life imprisonment. In France what is known as “judicial constraint” consists in incarcerating or keeping incarcerated a solvent individual for failure to pay certain fines he or she has been ordered to pay by the public treasury or the customs administration. [12]

In Belgium, imprisonment (called subsidiary imprisonment) for non-payment of fines levied by the State is still possible, even though successive Justice Ministers over the past twenty years or so have recommended that it not be applied. In a response to a parliamentary question from an extreme Right (Vlaams Belang) MP at a time when that party was getting 20% of the vote, the Belgian Justice Minister stated: “Article 40 provides that ‘Failing payment within two months of the date of the ruling or sentence, if after trial, or of notification in case of default of appearance, the fine may be replaced by imprisonment for a duration fixed in the ruling or sentence and not to exceed six months for persons found guilty of a crime, three months in case of misdemeanour, and three days in case of simple infraction’. ‘If the sentence is limited to a fine, the imprisonment for failure of payment is treated as correctional or as lenient imprisonment depending on the nature of the conviction.’ Article 41 provides: ‘In all cases, the convicted individual can avoid said imprisonment by paying the fine; he or she may not evade action taken against his or her possessions by offering to undergo imprisonment.’” [13] In practice, a judge in Belgium can issue a sentence calling for subsidiary imprisonment (only in the context of a criminal proceeding). In such a case, the judge calls for a fine and instructs that if the individual prefers, or lacks the resources, he or she may, or must, serve a prison term. Obviously, a wealthy person will choose to pay the fine, whereas someone with very low income and little or no possessions will not be in a position to choose. Here is an example of the class nature of the justice system.

The Minister added: “In 2000, for ordinary offences, out of 22,632 sentences to fines, the prosecutors opened 3,745 cases concerning execution of sentences to subsidiary imprisonment. In 2001, of 21,375 sentences to fines, only 1,745 cases of execution of sentences to subsidiary imprisonment were opened by the prosecutors.”

Even if, in practice, prison sentences are no longer or very rarely applied, the fact that certain countries have kept the possibility open is troubling. Should a party of the extreme Right accede to government and permanently reinforce repressive measures, it is possible that prison sentences for debt will be handed down to working-class scapegoats. There is no lack of reactionary judges within the justice system who could take initiatives that would reinforce the class nature of the application of the law.

## Illegitimate mortgage debt and eviction

When the real-estate bubble burst in Japan (1990s), in the USA (2006-2007), in Ireland and Iceland (2008), and in Spain (2009), tens of millions of working-class households were forced into debt default and were victims of massively organized evictions. [14] On top of shrinking real wages, high levels of unemployment and abusive loan conditions, the effects of these debts are catastrophic for a growing number of working people. In the USA, since 2006, banks have dispossessed fourteen million families of their homes. [15] Although the justice system has recorded no fewer than 500,000 cases of abusive and fraudulent real-estate contracts the actual figure is much higher. In Spain it has happened to more than 300,000 families. The legislation being used by the bankers to evict families from their homes dates from the era of the Franco dictatorship. In Greece, under the third Memorandum of Understanding agreed to by the Tsipras government in 2015, banks are being given a free hand to evict families unable to repay their mortgage debts. [16] Once again in the history of the countries of the North we are witnessing a phenomenon of mass dispossession. In the USA, Spain, Ireland, Iceland, Greece, and elsewhere, a new type of movement and new mobilizations have come into being in resistance to these policies of eviction and dispossession.

[<https://internationalviewpoint.org/IMG/jpg/dette-etudiante-33bea.jpg>]

## Illegitimate student debt

In the most industrialized English-speaking countries and in Japan, the neoliberal policies applied in the education system have dramatically increased the cost of university studies and greatly restricted access to scholarships. The same phenomenon can be seen worldwide.

Tens of millions of young people from the working classes are forced into debt of dramatic proportions in order to pursue university studies. In the USA, student debt is in excess of one trillion dollars (that is more than double the total external debt – private and public – of sub-Saharan Africa in 2015) [17] – a symbolic threshold that underlines the seriousness of the situation. Two out of three students are in debt for an average of \$27,000. In 2008, 80% of students completing a Master's degree in Law had accumulated a debt of \$77,000 if they had studied at a private university, and \$50,000 if they attended a public university. The average indebtedness of students who have completed one year of a specialization in Medicine was \$140,000. A student who had successfully completed her Master's in Law told an Italian daily: "I don't think I'll ever be able to repay the debts I contracted to pay for my studies. Some days I feel that when I die, I will still be paying monthly instalments on my university debt. Currently I have a repayment plan spread out over 27 and a half years, but it's too ambitious because the rate is variable and I can hardly keep up with it (...). What worries me most is that I'm unable to save any money, and my debt is always there to haunt me." [18]

[<https://internationalviewpoint.org/IMG/jpg/lazaratto-3f4b0.jpg>]

Half of Japan's students are indebted. Average student indebtedness is the equivalent of \$30,000. In Canada, the tendency is the same. [19] Attending university costs more and more, whereas with the labour market saturated and ailing, jobs with a decent salary are more and more difficult to find. After their studies, young people in debt and their families are having greater and greater difficulty repaying the debts. Many are forced to accept jobs with little or no employment security and degrading working conditions. Meanwhile banks make fat profits from student debt. As in the case of illegitimate mortgage debt, new forms of struggle and new movements are coming into being to combat illegitimate student debt. One example is the Strike Debt! movement in the USA. We are seeing attempts to federate the different debt resistance movements – student debt, mortgage debt, consumer debt, debt related to taxes, and of course public debt. [20]

Over-indebtedness is deteriorating the living conditions of a larger and larger section of the working classes in all the industrialized countries. In Belgium, for example, the number of persons in collective debt settlement more than doubled between 2007 and 2017.

Women heads of single-parent families everywhere are particularly affected by over-indebtedness. In addition to physical deprivation, over-indebted persons are subject to increasing suffering due to the humiliations associated with debt. Intrusions into the private lives and the homes of over-indebted persons by the authorities are becoming more frequent and more violent. With the precarity of the workforce and the payment of sub-standard wages for part-time jobs and even for full-time jobs, more and more wage earners are becoming victims of the debt system.

## The making of the Indebted Man

Over the recent decades, the policies employed by governments and the capitalist class to roll back social progress have made stable, collectively bargained labour contracts a priority target. Workers' and beneficiaries' fundamental rights are presented as privileges and as obstacles to competitiveness and flexibility. A systematic campaign in favour of self-employment dangles the attraction of a certain illusion of personal freedom before the eyes of the hopeful. More and more people are forced to go into debt to become self-employed, to create a "micro-company" – in other words, to corporatize themselves, to exploit their own "human capital." As Maurizio Lazzarato says in his book *The Making of the Indebted Man*, "In the debt economy, to become human capital or an entrepreneur of the self means assuming the costs as well as the risks of a flexible and financialized economy, costs and risks which are not only – far from it – those of innovation, but also and especially those of precariousness, poverty, unemployment, a failing health system, housing shortages, etcetera." [21] A growing number of people who have tried their hand at self-employment fail, slide into over-indebtedness and lose what little they had. Lazzarato describes how the strategy of the neoliberal program views the Welfare State: social rights are gradually turned into "social debts," which neoliberal policies in turn transform into private debt; in parallel, beneficiaries become "debtors" to unemployment insurance funds and to the State. [22] As the policies conducted by neoliberal governments lead to the impoverishment of wage earners (freezing or reduction of wages, increased precarity, etc.) and beneficiaries of other social rights (freezing or reduction of pensions, reduction or elimination of social assistance and unemployment benefits, deterioration or disappearance of certain public services, reduction or elimination of scholarships, etc.), he explains, finance makes promises of enrichment through access to credit and shareholding. Increases in wages and pensions are replaced by consumer credit and the promise of dividends (from pension funds or insurance); the right to decent housing is replaced by mortgage credit and the right to education by student loans; mutualized insurance against risks such as unemployment and illness is replaced by individual insurance. [23]

Many of the refugees who reach Europe after overcoming almost unimaginable obstacles have gone into debt in order to undertake the voyage to the country of refuge. There they are forced to accept extremely harsh working conditions in order to repay their debts since they know that the members of their family who have stayed behind are under pressure from their creditors. Many female immigrants are forced into prostitution in order to repay an illegitimate debt.

Since the crisis that broke out in the industrialised countries in 2007, the private-debt part of the "debt system" has become harsher – abusive mortgage debts, illegitimate student debt, and consumer debt leading to alienation and impoverishment. This goes hand in hand with the action of governments who use the increase in the public debt they themselves have encouraged to intensify the offensive against the social progress made during the 20th century.

## Supporting initiatives that further the struggle against illegitimate private debt

How can we expect people who due to over-indebtedness have been humiliated and abused by banks, evicted from their homes, and who in spite of all that are still liable for a still unresolved portion of that debt to come together and mobilize against repayment of public debt accumulated by the State or take part in collective actions in favour of

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workers' rights? Having been defeated in their personal struggles because resistance movements strong enough to prevent evictions or escape from other forms of over-indebtedness don't exist, how can they find the strength to continue struggling? They are unlikely to feel that the issue of illegitimate public debt or collective struggles for social rights concern them. Therefore it is necessary to give full support to initiatives that further the struggle against illegitimate private debt.

*Translated by Snake Arbusto and Mike Krolkowski*

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Part 1 here: [Breaking the Vicious Cycle of Illegitimate Private Debt](#)

Part 3 here :[Breaking the Vicious Cycle of Illegitimate Private Debt in the global South](#)

Part 4 to follow.

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[1] The author wishes to make it clear that he is not denouncing private debt in all circumstances. The present article concentrates on private debt used as means of expropriation and dispossession.

[2] The author wishes to make it clear that he is not denouncing private debt in all circumstances. The present article concentrates on private debt used as means of expropriation and dispossession.

[3] Marx cites as the sources – often violent – of primitive accumulation: complete separation of the producer from the means of production, the usurpation of communal property, the enclosure of commons in the countryside, dispossession of artisans of the tools of their craft, bloody repression of dispossessed persons (who had lost everything due to debts they were unable to repay), the colonial conquest and the commandeering and exploitation of the continents taken over by the European powers, the slave trade, and the public-debt system (see Book 1 of *Capital*: Part 8: "Primitive Accumulation." <https://www.marxists.org/archive/marx/works/download/pdf/Capital-Volume-I.pdf>, pp. 507-527. Silvia Federici adds to these sources the witch hunts, that vast and bloody movement of repression against women from the late 15th to the mid-17th centuries. In a study called "Accumulation primitive et industrialisation du tiers-monde" (Primitive accumulation and the industrialization of the Third World), in Victor Fay (ed.) *En partant du Capital*, Paris: Anthropos, 1968, pp. 143-168, sums up Marx's position and underlines the fact that "We might even state that Marx underestimated the importance of the despoliation of the Third World in the accumulation of industrial capital in Western Europe." (p. 149). In 1913 Rosa Luxemburg, in *The Accumulation of Capital* (London, Routledge Classics, 2003) also reviews the process of primitive accumulation and its extension into the imperialist era of the late 19th century. <https://www.marxists.org/archive/luxemburg/1913/accumulation-capital/index.htm> See also Harvey, David (2010). *The New Imperialism*, Oxford University Press, 2005 and Jean Batou, "Accumulation par dépossession et luttes anticapitalistes : une perspective historique longue" – *CONTRETEMPS*, <https://www.contretemps.eu/accumulation-par-depossession-et-luttes-anticapitalistes-une-perspective-historique-longue/> (in French)

[4] Standage, <https://www.cambridge.org/core/journals/journal-of-economic-history/article/div-classtitlethe-rise-and-fall-of-indentured-servitude-in-the-americas-an-economic-analysisdiv/E485D8B3180DB46FE48D52EF46A869B6Scott>, *Born Losers: A History of Failure in America*, Harvard University Press, 2005

[5] Galenson, David (March 1984). "The Rise and Fall of Indentured Servitude in the Americas: An Economic Analysis." *The Journal of Economic*

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*History*, 44 (1): 1-26.

[6] <https://www.sscnet.ucla.edu/southasia/Diaspora/freed.html> “Over the period 1834, when the first batch of indentured Indians arrived in Mauritius, to 1917, when the indentured system was brought to a halt, nearly 1.5 million Indians had sold themselves into debt-bondage.”

[7] See David Graeber, op. cit., p. 257. See “Peasant movements and tribal uprisings in the 18th and 19th centuries: Deccan Uprising (1875)” – *History And General Studies*,  
<https://selfstudyhistory.com/2015/10/14/peasant-movements-and-tribal-uprisings-in-the-18th-and-19th-centuries-deccan-uprising-1875/>

[8] See the text of the Dekkhan Agriculturists' Relief Act of 1879 at <https://indiankanoon.org/doc/1545750/>

[9] More often called “tommy shops” in Britain, where the system has also been abolished.

[10] See Éric Toussaint, “In the South as well as the North: from the Great Transformation in the 1980s to the current crisis”, published 1 October 2009, <http://www.cadtm.org/In-the-South-as-well-as-the-North>

[11] Imprisonment for debt is in fact prohibited by Article 1 of Protocol No. 4 to the Convention for the Protection of Human Rights and Fundamental Freedoms, securing certain rights and freedoms other than those already included in the Convention and in the first Protocol thereto. See: <https://www.coe.int/en/web/conventions/full-list/-/conventions/rms/090000168006b65c>

[12] See [https://fr.wikipedia.org/wiki/Contrainte\\_judiciaire](https://fr.wikipedia.org/wiki/Contrainte_judiciaire) (in French) <http://www.farapej.fr/Documents/Fiches/04.pdf> (in French)

[13] [Belgian Parliamentary] Bulletin n° : B123 - Question et réponse écrite n° : 0599 - Législature : 50, 04/06/2002.  
<https://www.lachambre.be/kvvcr/showpage.cfm?section=qrva&language=fr&cfm=qrvaXml.cfm?legislat=50&dossierID=50-b160-17-0599-2001200201008.xml> (in French or Flemish)

[14] Éric Toussaint, “2007-2017: Causes of a Ten-Year Financial Crisis,” <http://www.cadtm.org/2007-2017-Causes-of-a-Ten-Year>

[15] Éric Toussaint, “Bank abuses in the real estate sector and illegal foreclosures in the United States”, published 28 May 2014, <http://www.cadtm.org/Bank-abuses-in-the-real-estate> See also Éric Toussaint, “Banks and the New “Too Big to Jail” Doctrine”, published 13 March 2014, <http://www.cadtm.org/Banks-and-the-New-Too-Big-to-Jail>

[16] See “The Greek government and banks try to take away our homes every Wednesday at civil tribunals”  
<http://www.cadtm.org/The-Greek-government-and-banks-try>

[17] See, on the World Bank site: <http://datatopics.worldbank.org/debt/ids/region/SSA>

[18] *La Repubblica*, 4 August 2008, cited by Maurizio Lazzarato, *The Making of the Indebted Man: An Essay on the Neoliberal Condition*, Semiotext(e), reprint edition (Aug. 31 2012). Translation CADTM

[19] “Luttes & dettes étudiantes au Québec : Â« Tant qu'on n'aura pas renversé le capitalisme, on ne pourra pas sauver l'éducation Â»” (“Struggle and student debt in Quebec: Until we overthrow capitalism, we'll never save education”) (Interview with Éric Martin by Maud Bailly)  
<http://www.cadtm.org/Luttes-dettes-etudiantes-au-Quebec> (in French)  
See also Isabelle Ducas “L'endettement étudiant, un lourd fardeau” (“The Heavy Burden of Student Debt”)  
<http://affaires.lapresse.ca/finances-personnelles/train-de-vie/201312/10/01-4719551-lendettement-etudiant-un-lourd-fardeau.php> (in French)  
See the official Canadian government site: “Student loans and debts”, <http://www.statcan.gc.ca/pub/81-595-m/2014101/section04-eng.htm>

[20] See *Strike Debt! The Debt Resisters' Operations Manual* <http://strikedebt.org/drom/> and in particular regarding student debt  
<http://strikedebt.org/drom/chapter-four/>

[21] Maurizio Lazzarato, *The Making of the Indebted Man: An Essay on the Neoliberal Condition*, Joshua David Jordan (translator), Semiotext(e), reprint edition (Aug. 31 2012), p. 51

[22] Maurizio Lazzarato, *op. cit.*

[23] Maurizio Lazzarato, *op. cit.*