Financialization, the Economic Crisis, and Debt-Organizing Campaigns in the United States

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This paper aims to bring into dialogue three perspectives about the current crisis. Arranged as links in a chain, Section I presents an argument about financalization, that strongly contrasts with popular misconceptions about labor's independence from finance. Here I present the argument of Dick Bryan and Michael Rafferty (2011), who argue to the contrary, that labor was both central to the crisis, and remains central to the frontiers of capital accumulation in the processes of financialization.

From this perspective, where labor occupies a structurally central position, there lies the question of its potential political agency in the current conjuncture, an issue that is then taken up in the second and third sections of this paper.

In Section II, I present in abbreviated form, a theoretical account of the political response to the financial meltdown of 2007/08. Here, I present the argument by Alex Demirovic and Thomas Sablowski (2011), who explain how new forms of crisis governance are emerging, to avoid a repeat of the chaotic processes of capital devaluation like that experienced in 2007/08. Here, "governmental technologies" are being developed for the "strategic destruction of capital" (Demirovic 2009: 56). This brings to light not only the forms of political regulation, but also the class and power relations behind them. With this insight into the content of the political struggles, comes the question of potential political agency from below, touched on in the first section in terms of labor's strategic positions in processes of finance-based accumulation. But this question becomes the central focus of the final section, when I move to social movements organizing against consumer debt.

In Section III, the third link in the chain is made, focusing on movements of the subaltern which are intervening in the social, political and economic processes described in the previous sections. Here, I focus on student and other debtors, and their calls for debt cancellation, and with it their objectives towards shifting the broad political trajectory. Here I will focus on the Occupy spin-off group, “Strike Debt!”.

These three sections therefore, each focus on different aspects of a dialogue that I've arranged in order to think about the connection between the financialization, crisis governance, and the potential agency of the indebted.

1. Crisis, Financialization, Debt, Labor

Contrary to popular depictions, the current crisis does not reveal the autonomy of finance from labor, but rather their internal interdependence. This is most striking when we recall the crisis' immediate trigger in the foreclosure wave in the U.S. housing market. Here, we recall that the foreclosure wave was the result of the growing incapacity of homeowners to continue servicing their mortgage debts amidst decades of falling real wages (Brenner R. 2009: 9).

This foreclosure wave had already began in the subprime mortgage market in 2006, amongst low-income, predominantly black and latino, and single-woman households in urban centers, before capturing the predominantly white, middle-class suburban areas of Florida and the U.S. Southwest beginning in 2007 and 2008 (Harvey 2010: 1).

With the collapse in mortgage payments, not only did the mortgage holders find themselves in a jam, but also the owners of mortgage-backed securities. The revenue for these products were based on the interest payments on mortgage debt (Bryan/Rafferty 2011: 211), and without these payments, their profits were lost, driving a devaluation of these products, which had been spread across the global economy through the major financial institutions. In 2006, home equity security constituted $483 trillion, constituting 65% of all securities (210). In 2009 it was reduced to $2 trillion (ibid).

Hence, the interdependence of finance with labor was revealed when the incapacity of the U.S. working- and middle-classes to reproduce themselves had prevented capital from reproducing itself and from accumulating.

And this interdependency is predicated on the fact that there are both push and pull factors driving the continued development of financialization. On the pull side is labor's increasing reliance on loans and personal debt to subsidize falling real wages, and to purchase increasingly expensive social goods in education, healthcare, housing, and etc., following the roll-back of generalized public provisioning under the Fordist welfare state. Instead of wage struggles, labor has tried to maintain its living standards and avoid downward social mobility through credit.[1]

The push side of this financialization process is the enormous capital surpluses that have accumulated across the global economy (Bryan/Rafferty 2011: 212), and the innovative search for yield for these incredible sums.

As is commonly known, this drive towards finance-based forms of accumulation, and hence, the explosion in financial products, reflects an attempt amongst capital to find new sources of yield amidst falling returns on investment in industrial production that began already in the 1970s.

Bryan and Rafferty make clear then that labor is not only important for capital because of its production of surplus value at the point of production, but also through its debt payments, making it central to the accumulation process in the realm of finance. They write:

> "From the perspective of capital, labour is not just a labouring class producing surplus value. Labour is now cast by capital as an 'asset class': not in the sense of the 'ownership society' promoted by President Bush, but an object of portfolio investment that sits alongside other asset classes like equities, bonds and credit derivatives. In the search for yield and diversification, the household and its wage income represents new opportunities for capital's profitable asset holding" (216).

Therefore, labor is being "recast[ed] as the provider of income streams for securities, to facilitate asset diversification and the search for yield. The rapid growth of mortgage, auto, credit card and student loans, as well as contracts on telephones, energy and health care, all provide the raw materials on which securities are built to meet the demands of global investors" (215).

The causal relation between the foreclosure wave and the turmoil on the global markets, revealed labor's *potential power* in this new arrangement. It was, "labour's failure as an asset class, not its power as a working class, that triggered the global financial crisis" (216).

Labor was therefore "not well risk-managed" (217). The response to this has been new disciplinary

1 This is where the conservative charge that we are "living beyond our means" is correct. Yet, labor has been living beyond its means because they have not been sufficient for its own reproduction. And credit is of course not the only way labor has compensated for shrinking means. It has also extended especially, female, child and elderly labor for care and reproductive work, which it can not afford to purchase on the market and needs that are no longer satisfied by the eroded welfare system.

measures to compel labor to continue servicing its debt, including not only shame but also penal measures. In a broad sense, Bryan and Rafferty argue that we are witnessing the “reconfiguration” of the “conditions of working-class life [...] so as to privilege the payments that will form the basis of securities” (216).

Yet, this centrality of labor to the current accumulation regime reveal also its *potential*.

They write:

> “Just as the worker cannot be separated from their labour power – part of what constitutes labour as a distinctive and critical input into production – so the worker cannot be separated from the risks attached to their loan repayments. With this inseparability comes political capacity. Unlike all other inputs into production of forms of asset, labour expresses the capacity to resist inside production and inside finance. Capital's vulnerability to labour in production is also its vulnerability to labour in finance” (216-217).

Now I will turn the the second link in this chain, focusing on state strategies and class relations behind efforts to control the expected future losses based on the structural interdependence of labor and finance-based accumulation.

2. Crisis Governance, Political Struggles, Power Relations

Bryan and Rafferty argue that one of the main lessons that capital learned from the crisis, was that labor was not well “risk-managed”. It became an unreliable and unstable support for accumulation. In this section I rely on Alex Demirovic and Thomas Sablowski's (2011) thoughts on political responses to this challenge, particularly, with the emergence of new forms of crisis governance.

With the financial meltdown of 2007/08, there was a chaotic destruction of capital. While much of this was direct, in that mortgage defaults directly stopped income streams to holders of mortgage-backed securities, there was also an incredible degree of political mediation in coordinating the losses. The most obvious example regards the “too big to fail” companies, whose collapse presented not only losses for themselves, but more broadly, “systemic risk”.

The devaluation experienced in 2007/08 was due to the enormous discrepancy between claims on financial investment and global social product (Demirovic/Sablowski 2011: 79). Demirovic writes that “since the total economy on average only grows a few percent [per annum], this growth [in claims in financial products] can only be achieved at the cost of other market participants" (Demirovic 2009: 50-51). This involves the devaluation of capital and its claim to a share of the total profits.

Crisis management strategies are involved in managing these contradictions, seeking to prevent or at least control the expected devaluation of capital. Demirovic and Sablowski write, the aim is to "avert the further destruction of capital, or [to] organiz[e] and contain it, so that the capitalist mode of production is not in its entirety called into question" (2011: 86). And within these practices is the critical question as to *which* "market participants" will have their capital devalued or destroyed. They write, it is a question of "whose capital will be destroyed and who will lose the least in this violent conflict" (ibid). This question, they assert, becomes the object of a bitter economic and political struggle" (ibid).

Hence, they focus on new forms of crisis governance.

The chaotic devaluation of capital in the crisis is being responded to by states by new regulatory strategies, or as Demirovic terms them, "governmental technologies", aimed not at reducing financial innovation, restraining the growth, elaboration, and diversification of a market in highly complex financial products, but rather one geared towards the "strategic destruction of capital", and the "appropriation of public spending by finance" (2009: 56).

He points to the question of "whose money capital is destroyed" and "in what ways" (ibid). Will it be through "inflation" and the destruction of small personal savings? Will it be with the destruction of assets of large holders? Etc. (ibid).

And this returns us to the question of political subjectivity and the social relation of class forces, involved in the process of determining this. Hence, Demirovic goes so far as to describe *this* struggle as "the future of political struggles" (ibid).

With this ground laid, I will now move to the final link, where I discuss debt-organizing struggles in the United States, as particular examples of efforts to organize the subaltern, by harnessing its strategic position in the accumulation process (as presented in Section I), and using it to leverage for a change in political trajectory (as raised in Section II).

3. The "Strike Debt!" Group and Debt Cancellation

If Demirovic and Sablowski argue that the central political question today is over *whose capital will be destroyed*, debt-organizing campaigns in the U.S. frame the same question from a different angle. From

the perspective of the indebted, they ask: *Whose debt will be canceled?*
And just as Demirovic and Sablowski point to the class and power relations determining these processes, so does the "Strike Debt!" group in their campaigns.

As is widely known, debt played a critical role in the Occupy movement. First, it motivated the "graduates without a future" (Mason) to appropriate public space for their assemblies, and to develop the plethora of student organizing campaigns, including the Occupy Student Debt Campaign. Second, it brought homeowners threatened with foreclosure and eviction – and those who had already been dispossessed of their property – into the movement. They initiated the Occupy Our Homes campaign, blockading foreclosures, evictions, and property auctions of foreclosed homes. And thirdly, those suffering under medical debt expressed their belonging to the "99%", through thousands of personal testimonies uploaded to the "We are the 99%" blog[2].
From the perspective of the Occupy movement, the case is being made, that the movement is the result of the crisis of debt-financed social reproduction. Hence, it would be no surprise that the first phase of the movement sought at least symbolically to reclaim the commons. Also of no surprise, is that the general assemblies, planned by anarchist veterans of the anti-globalization movement, took the form of "coming out parties" for those in material distress, to find one another, to create bonds of solidarity and a collective identity, as the debt crisis of the global south which these activists targeted ten years before at the global summits of the World Bank, IMF, and G8, now absorbed them in its crisis as well. These general assemblies acted as "consciousness raising" sessions like those developed by the second wave feminist movement to break through the moral shame associated with debt, and to detect a widespread common situation. This was visible not just in the plazas but across social media. With the fragmentation of labor and the decentralization of the workplace, the spaces for conversation about common material conditions and for collective organizing and political strategizing moved to public space, where they indebted identified common themes for struggle and potential points of leverage.
It was therefore also no surprise that the movement moved into community and labor struggles following the evictions of the squares, building bonds with unions and community groups fighting on the frontlines of the crisis.
But here I want to focus on a successor group of the Occupy movement, the "Strike Debt!" group, which began in New York City and has spread to a handful of cities across the country.

2 http://wearethe99percent.tumblr.com

The group takes its inspiration from the Quebec student protests earlier this year, which fought off tuition hikes, under the slogan “We are all in the red!” (meaning, we are all in debt). First, Occupy debt organizers coalesced in the Occupy Student Debt Campaign, but now have broadened their focus to all forms of consumer debt, especially medical debt.

They seek to connect the struggles around housing, student loans, and medical debt with the broad-class perspective of the Occupy movement, with the slogan: “Debt is the tie that binds the 99%”. They want to organize a debtors union for coordinated strikes against particular creditors. They recently released a manual on the topic and in Occupy fashion, are holding public assemblies in multiple cities and neighborhoods to discuss personal experiences with debt, debt as a structural issue, and how to organize around it.

In the materials of these debt-organizing campaigns, we see a close similarity to the insights of both Bryan and Rafferty regarding the centrality of labor to capitalist profits through financial products and consumer debt payments. And we also see a recognition of the same internal systemic pressures requiring some form of debt cancellation, which Demirovic and Sablowski point out. The “Strike Debt!” group writes: “The question is not whether debt will be abolished but what debt will be abolished. The banks, the nation-states and the multinationals have seen their debts 'restructured', meaning paid off by the people, who now have to keep paying more” (Strike Debt! 2012: 11).

And with utopian confidence and exaggeration, one of the group's leading intellectuals, David Graeber writes, “[S]ome kind of mass debt cancellation is on the way. Almost everyone is willing to admit this now. It's the only way to resolve the sovereign debt crisis in Europe. It's the only way to resolve the ongoing mortgage crisis in America” (Graeber 2012: 27).

Yet this will be determined politically, like Demirovic and Sablowski also argue, and through struggle. “The real battle” around debt cancellation, Graeber continues, “is over the form it will take”, both in terms of the quantity canceled, and regarding the beneficiaries (ibid).

And echoing the question raised in the previous section, regarding the destruction of capital, is that of the cancellation of debt. “Strike Debt!” points to the significance of struggle and power relations determining the *form* and *beneficiaries* of such a “jubilee”, and their immediate predecessor group, Occupy Student Debt Campaign, sought to use the leverage of students through the exertion of a debtors' strike, to push for debt cancellation and free education. Yet, falling far short of their objective of one million participants, the “Strike Debt!” group has, at least temporarily, moved away from direct political exertion. Their first and major project is the “Rolling Jubilee”, which involves the purchase of defaulted loans on the secondary debt market, and their cancellation. Here, they have at least temporarily moved from direct political confrontation towards mutual aid and political education.

For this project, they raised nearly $600,000, which according to their estimates, will be enough to cancel $12 million of consumer debt.[3] In September 2012, they purchased over $100,000 of medical for $5,000, and forgave the medical debt of 44 individuals.[4] In January 2013, they purchased over $1.1 million in medial debt, owed by over 1,200 individuals, for $9,500, "abolishing" it as well.[5] Together, these purchases have absolved 1,244 people of over $1.2 million in medical debt.

Yet this project has attracted accusations from within the Occupy movement, that the group is involved in charity rather than collective struggle. Yet, the "Rolling Jubilee" does not appear to be a replacement of political engagement and intervention with a personal strategy based on a frictionless evasion and overcoming of societal realities. It appears to be a recognition of the lack of organizing capacities and insufficient public reception for a confrontational debtor's strike. The current campaign appears to be part of a longer project, as the group argues, to build "alongside the labor movement, a debtors movement" (Strike Debt! 2012: 11).

Yet, in terms of impacting political power, a debtors union, like that promoted by the "Strike Debt!" group, can not in itself make significant shifts in the social relation of forces which would push the burden of debt cancellation away from the working and middle-classes. Nor will a debt strike be influential enough to produce a "new social contract that puts public wealth to equitable use and enshrines the right to live based around mutual aid, not structured around lifelong personal debt", as "Strike Debt!" desires (Strike Debt 2012: 11).

Yet it does reveal a growing understanding amongst sections of the indebted, to think about the strategic position of labor in a finance-dominated accumulation regime, and the potential for harnessing its latent power for concrete and wide-sweeping political goals. If this perspective spreads more broadly amongst subaltern forces, beyond the successors of the Occupy movement, then it might be an interesting political moment for social movements, and an interesting political conjuncture ahead.

To end, I would like to quote Francis Fox Piven, whose comments on "Strike Debt!" also lead in this direction. She writes:

> "[M]ovements that make an imprint do more than communicate. They also threaten to exert a

3 http://rollingjubilee.org/ [09.06.13]
4 http://rollingjubilee.org/assets/docs/debt-buy-agreement_01.pdf
5 http://rollingjubilee.org/assets/docs/debt-buy-agreement_02.pdf

distinctive kind of power that results from refusing co-operation in the routines that institutionalized social life requires. That is the power that workers wield when they walk off the job, or that students muster when they refuse to go to class, or that tenants have when [they] refuse to pay the rent, or that urban crowds exert when they block streets and highways. In principle, it is also the power that debtors might mobilize if they threatened to default on their loans. This sort of disruption – in essence, the strike writ large – is harder to organize than a rally or a march because people will fear reactions, which are likely to be swift and harsh. So, the protesters have to figure out how to defend themselves.

This is also the problem that other great protest movements confronted: the abolitionists had to work out how to sustain the "underground railway" in the face of southern posses, and the sit-down strikers of the 1930s had to figure out how to defend their factory occupations in the face of company police and sometimes state militia. I suspect that Occupy is struggling with that problem now, as an expanded Occupy begins to try to organize campaigns against mortgage foreclosures, student and credit card debt, and even the public debt saddling municipalities.

The stakes are large, for the 1%, and for the rest of us” (Piven 2012).

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