

## ***Locked into the system: personal debt and capital accumulation***

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I will explore the relationship between personal debt and the structural crisis of capital. Personal debt rose before the recession and will continue to rise during the recession. High levels of personal debt have become necessary for the system to overcome its tendencies to stagnation. By borrowing, and paying interest, households subsidise capital accumulation by increasing the level of purchases above the level of earnings paid by the capitalist economy. Nevertheless people are caught in this system and need help with their indebtedness. An ethical approach requires linking the ameliorative short term response to debt at the personal, family and community level with political action for change in the social and economic system. Some frameworks are suggested for addressing this double challenge dialectically.

In this article I will first explore the systemic causes of personal and household debt. Then I reflect briefly on what community psychologists should ethically do when faced with the experience of debt while knowing that its causes are systemic, and finally I offer some frameworks for navigating the dynamic interrelationship between short term amelioration and strategies for social transformation.

### ***The system requires high levels of personal debt.***

Capitalism, is first and foremost a system that reproduces capital, that is to say it accumulates capital. To do this every social process is commodified: exchange, production, distribution, investment – previously conducted through media other than markets. And no social transaction is exempt from this process of commodification. To endlessly accumulate capital it is necessary to extract profit. This is done at various points in the system, and most obviously in the theft of surplus value from workers and the unequal exchange between the core areas of the system and the primary resource producing areas. Without unequal exchange capitalism cannot work.

Capitalism establishes institutions to support itself, the State with its legal and governmental system, the educational system, the welfare systems, and the armed forces. When unequal exchange is threatened, the legal and military systems are brought into action.

Capitalism, throughout its existence has been faced with repeated crises resulting from the internal contradictions it generates. Time and time again has it overcome these contradictions, showing a strategic flexibility that Marx and Engels could not have imagined. These crises have largely been crises in capital accumulation driven by the falling rate of profit, the saturation of markets, the successful struggles of workers and other 'subaltern' populations, the excessive productive capacity of the system and the increasing difficulty in absorbing the capital produced in each iteration of the capital–production cycle. Each time 'fixes' have been found, technological, social, military, political, and financial, sometimes applied separately and sometimes together.

The 'post war settlement' and establishment of mitigated Keynesian monopoly capitalism in tandem with the welfare state was the 'fix' that stabilised the system in the period after the Great War against fascism, 1939–45. However the system moved into the stagnation crisis of the late 1960s and 1970s. The neoliberal set of 'fixes' established under the tutorship of the Chicago school of bourgeois economists comprised a number of policies that led to reduced real wages (repression of organised labour, outsourcing to third world labour markets, casualisation, creation of a reserve army of unemployment, State subsidy of low wages through in-work benefits, etc.). This restored the returns on capital but led

in turn to a crisis of under consumption, the system as ever organically tending towards stagnation. Comparatively lower wages in real terms meant less spending and this in turn led to the active encouragement of debt. This encouragement of private debt went hand in hand with a second problem facing capital, what to do with the surplus capital generated. This was solved through a variety of mechanisms, but we can focus on two here. Firstly there was the expansion of property development linked to private ownership of housing and to urban regeneration and speculative construction. Secondly there was the development of complex financial instruments and investments, linked to the deregulation of the finance sector, allowing a speculative growth of an unreal economy, resting on both private debt and at the same time on the savings of workers much of it tied up in pension funds.

The following examples illustrate the reducing real wages and increasing levels of personal debt in Western economies.

Figure 1.

Chart Two: Wages as a Percentage of Value Added in U.S. Manufacturing



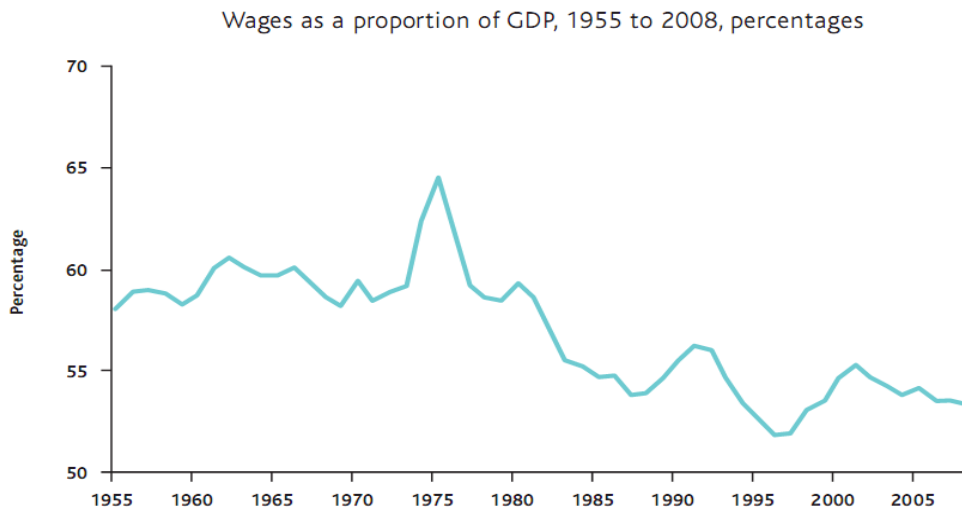
Source: Census Bureau 2005 Annual Survey of Manufacturers, Sector 31: General Statistics, Statistics for all Manufacturing Establishments, 2005.

Source: Bellamy Foster and Chesney, Monthly Review, June 2010, Volume 62, Number 2

*In the UK, the value of wages has declined from nearly 65% of GDP in the mid-1970s to 55% today. Over the same period, the rate of corporate profit has increased from 13% to 21%. It is no coincidence that in this period trade union rights were severely restricted, large swathes of the economy privatised, markets deregulated and corporation tax slashed.*

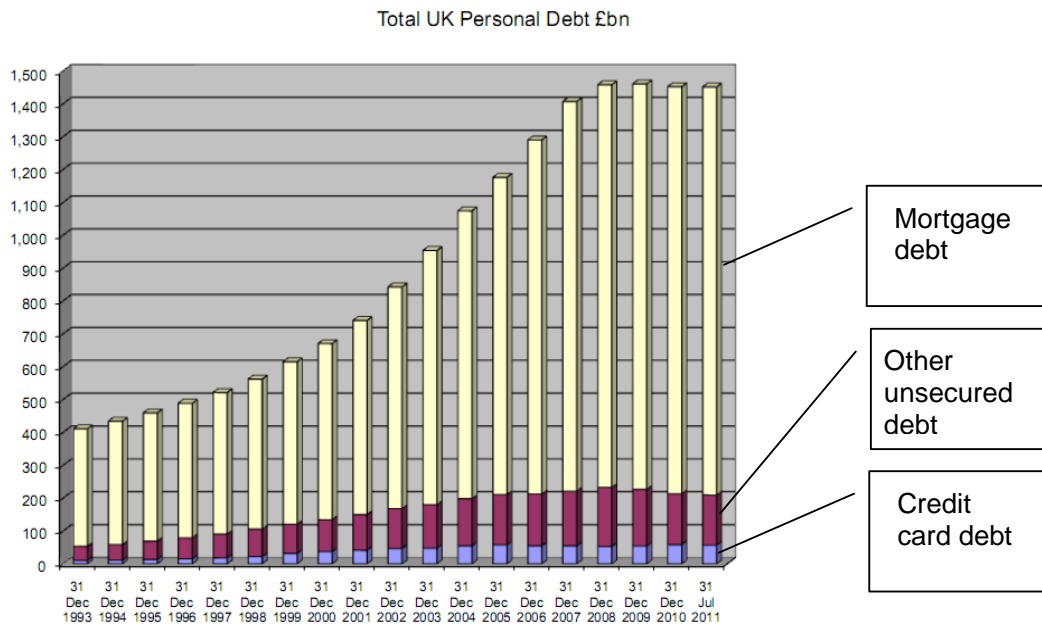
Source: Public and Commercial Services Union 2008:

**Figure 2. Drop in UK wages as share of national product.**



Source: Office for National Statistics, reproduced at:  
<http://www.tuc.org.uk/extras/unfairtomiddling.pdf>

**Figure 3 The rise in personal debt in the UK**



Source <http://www.creditaction.org.uk> September, 2011

*Total UK personal debt at the end of July 2011 stood at £1,451bn. The twelve-month growth rate increased 0.1 percentage points to 0.9%. Individuals currently owe nearly as much as the entire country produced between Q2 2010 and Q1 2011.*

*Average household debt in the UK is ~ £8,055 (excluding mortgages). This figure increases to £15,491 if the average is based on the number of households who actually have some form of unsecured loan. Average household debt in the UK is ~ £55,814 (including mortgages).*

<http://www.creditaction.org.uk> September, 2011

To summarise: personal debt is a structural creation of a system in cyclical and permanent crisis – capitalism is crisis. Personal debt has been created in order to sustain capital accumulation – to combat the stagnation of western monopoly capital. Those in debt are locked into a system that operates at the super-macro level. This has profound implications for any worthwhile intervention with those who are the victims of this system – those struggling with personal and household debt.

## **Transformation versus amelioration.**

So we should just change the system? This in effect is the classic prescription of community psychology but one more honoured in prose than action. Nelson and Prilleltensky (2005:144) describe the distinction like this:

*Ameliorative interventions are those that aim to promote wellbeing. Transformative interventions, while also concerned with the promotion of wellbeing, focus on changing power relationships and striving to eliminate oppression. ... First order change, amelioration, creates change within a system, while second order change, transformation, strives to change the system and its assumptions.... Ameliorative interventions tend to frame issues as problems and as technical matters that can be resolved through rational-empirical problem solving... Transformative interventions, on the other hand, frame issues in terms of oppression and inequities in power and emphasise strengths of people rather than their deficiencies.*

Yet ameliorative interventions are often desirable, (people need help) and easier to mount. The problem is that they leave the underlying problem unaddressed. The trick is to find ways to tie the two things together, linking work with people with political activity for system change – so that collective action and the consciousness necessary for it are nurtured. How?

Some ideas:–

- 1) **Prefigurative action** – We use this idea which originated in the work of the Italian Marxist Antonio Gramsci to address the problem of linking meso and macro level change projects while learning about the ways in which the social system offers openings and imposes barriers to principled change (Kagan and Burton, 2000). Inherent in this approach is a horizon that is utopian in character – the notion of a just society. This is not a predetermined idealist concept (in either sense of ‘idealism’) but rather is to be clarified through progressive political practice. For our present purposes though some of the ideas that are informing the climate justice movement, for example the concept of Living Well, as expressed recently by the Bolivian delegation to the UN offer a first approximation.

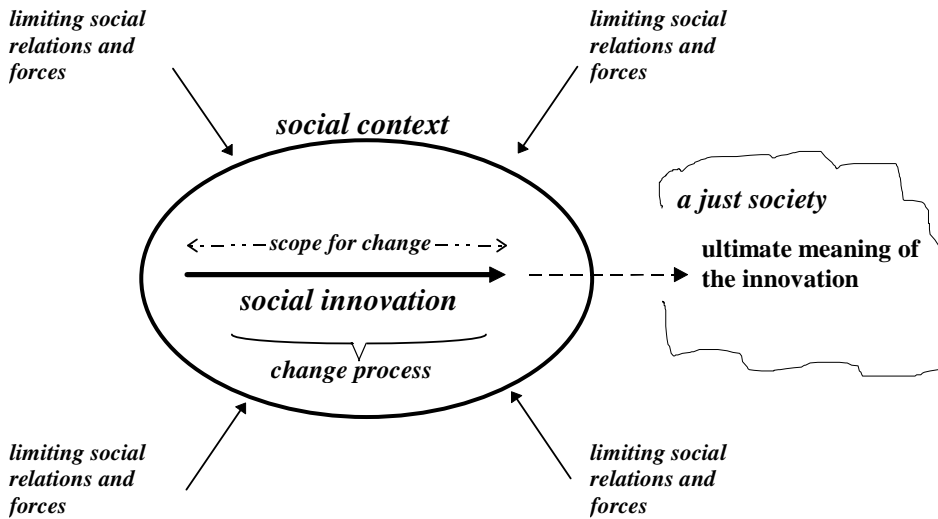
*Living Well is not the same as living better, living better than others, because in order to live better than others, it is necessary to exploit, to embark upon serious competition, concentrating wealth in few hands. Trying to live better is selfish, and shows apathy, individualism. Some want to live better, whilst others, the majority, continue living poorly. Not taking an interest in other people’s lives, means caring only for the individual’s own life, at most in the life of their family.*

*As a different vision of life, Living Well is contrary to luxury, opulence and waste, it is contrary to consumerism. In some countries of the North, in big metropolitan cities, people buy clothes they throw away after wearing them only once. That lack of care for others*

results in oligarchies, nobility, aristocracy, elites who always seek to live better at other people's expense.

Source: <http://www.energybulletin.net/stories/2010-10-08/concept-%E2%80%9Cliving-well%E2%80%9D-bolivian-viewpoint>

**Figure 4** A schematic outline of prefigurative action research



- 2) **The third practice.** Change needs to involve those people affected by an issue and will also often involve those with vested interests in ensuring that nothing does change. This is not to promote an abdication of responsibility or of specialist knowledge on the part of critical community psychologists. Instead our concern is with the way in which the expertise of critical community psychology is deployed. Our position is elegantly summarised by Freitas (1994) who distinguishes four 'community practices' in terms of their theory of determination of the phenomena studied (horizontal axis), and the degree of specificity in the disciplinary contribution – by psychologists (vertical axis). If practice is as community psychologists, then it will fall into quadrant 3, that is to say it will be cognizant of the societal level determination of debt while seeking psychologically informed tools and practices to combat the problem. The question is what kind of psychology, and here the notion of a 'really social psychology' comes into its own, one that understands the construction and experience of persons in terms of their embodied and transactional relations with the system.

Figure 5 Four community practices

	Professional specificity		
Psychological determination	1	3	Social, political and economic determination
	2	4	
	Professional non-specificity		

- 3) **Rethinking amelioration/transformation.** Kagan et al. (2011) suggest rethinking the amelioration/transformation distinction by categorising interventions in terms of the dimensions of ambition and scope:



Figure 6 Rethinking the amelioration–transformation distinction.

<p><i>Extent of change</i></p> <p><i>Scope of change</i></p>	<p><i>No change - status quo preserved</i></p>	<p><i>Changes of a 'quantitative' nature - no change in social relations but an improvement in experience.</i></p>	<p><i>Changes of a 'qualitative' nature - involving a change in social relations.</i></p>
<p><i>Parochial / short term focus</i></p>	<p><i>Collusion</i></p>		
<p><i>Medium range focus (city or region-wide / medium term)</i></p>		<p><i>Amelioration</i></p>	
<p><i>Long range focus (national or international / long term)</i></p>			<p><i>Transformation</i></p>

The arrow indicates a dimension from collusion with the status quo through amelioration towards transformation. Oppressive and destructive forces are more likely to oppose change projects the further towards the right and bottom of the matrix.

**So how does this relate to practice in relation to debt?**

Figure 7 Applying the revised amelioration–transformation distinction.

<p><i>Extent of change</i></p> <p><i>Scope of change</i></p>	<p><i>No change - status quo preserved</i></p>	<p><i>Changes of a 'quantitative' nature - no change in social relations but an improvement in experience.</i></p>	<p><i>Changes of a 'qualitative' nature - involving a change in social relations.</i></p>
<p><i>Parochial / short term focus</i></p>	<p><i>Collusion</i> Ignoring the issue.</p>	<p>Debt counselling</p>	<p>Establishing Micro-credit schemes</p>
<p><i>Medium range focus (city or region-wide / medium term)</i></p>	<p>Training people in money management</p>	<p><i>Amelioration</i> Establishing Credit unions Establishing consumer co-ops</p>	<p>Establishing producer co-ops Delinking initiatives (e.g. local currencies) Campaigns against loan sharks</p>
<p><i>Long range focus (national or international / long term)</i></p>		<p>Campaigning for better welfare benefits</p>	<p><i>Transformation</i> Political campaigning for a just economic system.</p>

The argument then is that it is essential to link short range ameliorative action with longer range transformative projects and to

link local projects with programmes of political change. Some parameters of that formulation have been sketched, but in keeping with the role of this paper in stimulating exploration and debate, the temptation to be more prescriptive than that will be resisted.

***References***

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