

Power Without the King

The Debt Strike as Credible Threat

BY PAUL A. HAMPTON

WHILE MOST CONTEMPORARY talk of Jubilee carries religious connotations, the first mass debt cancellations were likely born out of secular power consolidation. Economist Michael Hudson traces the earliest Jubilees to pre-biblical times, in periodic “clean slate” decrees issued by Bronze Age kings. While immediate motivations for the abolitions varied from instance to instance, an important common thread is that the rationale was most often material, rather than a spiritual ethic. In his *Bible Review* article on “The Economic Roots of Jubilee,” Hudson argues that the seeming magnanimity of these decrees was usually a product of “enlightened self-interest.” Clean slate decrees helped the rulers to maintain a stable empire in which the king was the primary locus of power and debtors remained loyal recruits for military campaigns. If the king did not release debtors from their obligations, then the debtors could threaten to gather together and release the king’s head from his neck.

In game theory, this is what’s known as a “credible threat”: the potential for pursuing action that by its mere plausibility shapes the strategies of others. In modern times the credible threat has largely evaporated, leaving debtors without tactical recourse in a deeply asymmetric struggle. This playing field cannot be leveled by appealing to legislators with moral arguments. This playing field can only be leveled when debtors develop and wield their own form of counterpower: the credible threat of revolt.

This sort of threat needn’t entail physical attacks on lenders or legislators (though the balancing potential of the proverbial “pitchforks and torches” should never be underestimated). Instead, debtors can establish their willingness to withdraw compliance. They must demonstrate that they can stop paying, en masse. Oil tycoon J. Paul Getty captured this succinctly when he said: “If you owe the bank \$100, that’s your problem. If you owe the bank \$100 million, that’s the bank’s problem.” Taken alone, debts are individual problems. But when lumped together, they are a systemic threat. The threat of mass debt refusal may not only bring about a contemporary Jubilee, but could also change the terms of future debts—and perhaps much else.



Rejecting Market-Based Solutions to the Debt Crisis

There is certainly no deficit of calls for a democratic solution to the debt crisis. The majority of these calls, however, rely on a painfully narrow definition of “democracy,” referring only to the kind of democracy practiced by an electorate represented in legislative bodies. Commentators ranging

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Taken alone, debts are individual problems. But when lumped together, they are a systemic threat. The threat of mass debt refusal could usher in a contemporary Jubilee. Illustration by Caitlin Ng.

from the editorial board of the *New York Times* to progressive activists with the Campaign for a Fair Settlement have pleaded for legislation that will change the terms of debts or even write down their principal. Even the usually sharp and radical-minded magazine *The New Inquiry* made an uncharacteristically liberal suggestion that decisions about the debt crisis be “made . . . through the ballot box.”

What most of these earnest commentators miss is that the lenders’ and legislators’ crisis is not the same as the debtors’ crisis. To power, the crisis is not that lives are being ruined by mountains of debt, but rather that the streams of revenue on which the economic institutions depend might dry up or at least fail to sustain their current pace of growth. In other words, to power, the only concern is making debt “affordable”—and thus permanent.

As long as “affordability” is the only pressure, legislators and lenders have no incentive to respond to anything else. Debtors can change this by affecting revenue for reasons other than being strained past their ability to pay. By voluntarily withdrawing payment until the debtors themselves have the ability to shape the institutions to which they are in debt, debtors can alter this balance and create power for themselves. But if they don’t, then the only crisis that will be solved is the one seen by currently existing forms of power.

This is why the proposals under consideration by lawmakers—for instance, regarding higher education—are focused entirely on marginal changes. In the past two years, state and federal legislatures have proposed several initiatives concerning the massive—and still growing—student debt problem. These proposals, such as the “Pay It Forward” plans to tie repayment to a fixed percentage of graduates’ incomes, Elizabeth Warren’s various interest rate ideas, Obama’s recent expansion of income-based repayment programs, and the forthcoming “value-based” ratings of colleges are focused exclusively on increasing the sustainability of debt repayment. Their goal is not to change the burden placed on debtors. It’s to ensure that debtors can provide more reliable revenue streams. Rather than limiting the debt burden, these proposals are aimed at *extending* it as far as it can go, at finding the maximum amount the debtor *can* pay. Every single one of these proposals is a mechanism for changing higher education to fit the demands of creditors, rather than the other way around.

It might seem inevitable that such is the character of ideas that spring from the lenders themselves. As the *New York Times* editorial board noted, apparently without irony, when supporting value-based ratings: “The federal government also has a compelling interest in getting the best possible return on its \$180 billion annual investment in higher education.” It would be easy to presume that this financial interest is largely what shapes the government’s decisions. But it would be a mistake to ascribe these failures of imagination to simple corruption. Each of these initiatives exhibits a hallmark of the progressive wonk playbook: implementing market-based approaches and tinkering with them at the margins, without ever casting a critical eye to the assumptions on which free-market ideology is premised. In this case, each of these legislative solutions embeds the idea of the basic needs of life as an *individual* burden, a transactional good.

Rather than tinker at the margins, we have to bring back the formative idea that certain things in life—education, health care, shelter, and food—can and should be provided outside market mechanisms and thus outside the grasp of odious debts. But without a credible counterpower, there is no incentive to consider nonmarket approaches.

The Red Herring of State Control

Some argue that the state should serve as a countervailing force to market pressures. But a cursory analysis reveals that state-sponsored institutions are just as susceptible to transactional thinking as are private corporations. Take for example higher education. The state university systems are imposing an enormous and still-increasing debt burden on individuals, under the argument that students, rather than the taxpayers as a whole, must necessarily shoulder the rapidly increasing cost of the services they’re using. But UCLA education scholar Bob Samuels, the nationwide movement



of debt resisters known as Strike Debt, and others have reported that, if existing federal money spent on higher education were directed away from loan subsidies and for-profit institutions, the federal government could make all public colleges tuition-free at little to no additional cost (and perhaps even a savings). These commentators have shown that education debt at public institutions is a choice, a priority of the current configuration of power.

Unfortunately, these analyses are often interpreted too literally as suggesting that the federal government should simply subsidize or take over higher education. While incrementally preferable to the current situation, this is not a desirable final outcome of a debt strike, because state funding is not divorced from market ideology. The “value-based” ratings program is just the most recent example of how even the state views education as a transactional good. As Strike Debt’s Ann Larson and Henry Ostrom wrote in their April 2014 web-only *Tikkun* article, “Life After Debt: Why America Needs an Anti-Capitalist Left,” aiming for state control as the final outcome would represent an utter failure of the debt resistance project. Instead of simply handing over the provision of basic needs to the state, a successful debt resistance movement could open space to re-envision what it means to

provide things such as education as something other than certification for employment.

Evaluating how federal money is allocated quickly undermines the common misconception that individualized debt burdens are *necessary* to support public services. The simple math illustrates that the problem is one of priorities, not practicalities. But the argument is not that the federal government needs to employ policymakers with a firmer grasp of arithmetic. The more subtle but also more important take-away is that these priorities are not those of any particular individual in power. They are the priorities of power itself, of the incentive structures that currently exist. This is why moral appeals are not likely to be an effective route. All the incentives for legislators and administrators are aligned in favor of market-oriented policies, and there exists no tangible countermechanism outside this logic. The threat of debt refusal is meaningless if it does not undermine *all* avenues for the imposition of market logic.

Building Counterpower

Is a biblical-type Jubilee even plausible within current conditions? There’s some question as to whether it ever has been: some historians contend that the biblical Jubilee codes (written centuries after the original debt cancellation decrees) were never actually followed. It appears that even if they were, it wasn’t so for very long. In his article on “The Lost Tradition of Biblical Debt Cancellations,” Michael Hudson writes that of all the biblical laws, “it appears this most radical one [the decree of Jubilee] . . . became the first to be cast aside.” The reasons for this shift were myriad, but Hudson gives primary place to a change in the character of armed forces. Whereas previously armies had been composed largely of “land-tenured cultivators,” around the turn of the millennium, wars began to be fought by paid mercenaries. (Incidentally, it is likely that these mercenaries used their wages to pay off private debts—further incentive for the king to preserve existing debts.)

According to Hudson, around this time the moral argument behind the Jubilee was reinterpreted as praising the virtue of the giver for redistributing his gains rather than as an assertion in favor of an equal distribution of the means of production (land and freedom). In other words, it was reinterpreted as justifying mere charity rather than radical realignment. Once Jubilee was insulated from the threat of counterpower that birthed it, the very notion of debt cancellation was lost and replaced by an individual drive for spiritual cleansing. As a means of attaining virtue, charity is the path of least resistance; it does not threaten existing power relationships. To be charitable, one doesn’t have to give up one’s land, just a portion of its fruit. And this defines the situation in which we currently find ourselves. So rather than simply encourage a restoration of a certain strain of morality, which can always be reinterpreted to suit other incentives,



The Rolling Jubilee is a good consciousness-raising tool—it buys debt for pennies on the dollar and then abolishes it. Now activists are taking the next step: organizing toward a debt strike.

perhaps we should emphasize a return to establishing the credible threat that lead to the first Jubilees.

A debt Jubilee, or something like it, is necessary, both in this present moment and as a lasting institution. However, release will not come from a higher power. If we want to abolish debt, we'll have to do it ourselves.

Organize to Strike Debt

One way to achieve mass debt abolition is to start with the realization that Getty provided over a century ago: while a small debt can be crippling to the debtor, a large debt can be crippling to the lender. Individually, we owe the bank tens or hundreds of thousands, and so these debts are our millions of individual problems. But together, we owe the banks hundreds of billions. Collectively, we are the bank's problem.

The “debt collective” described by Hannah Appel in this Winter 2015 issue of *Tikkun* is a first step toward this goal. By targeting debt refusal against particular lenders or even individual financial instruments, debtors could exact specific concessions. Significant success might be achieved without even a single new default, but rather by organizing those *already* implicitly refusing. For example, millions of student debtors are already in nonpayment. Many of these debtors haven't been written off by the system: their debts are repackaged and resold on the secondary market, and derivatives are issued against these instruments, multiplying their financial impact. They are considered uncollected but eventually productive assets. The potential exists for a broadly impactful debt strike that could be realized simply by publicizing and politicizing the existing *de facto* refusal. If these debtors were to assert that they might *never* pay, they could wield influence comparable to those currently in payment.

What might a debt collective demand? Because of the limited horizon for imagination offered by the current conditions of possibility, the first demands will surely be narrow and reformist, along the lines of extant legislation: principal write-downs, interest rate reductions, or even just payment plans. While the gains might be incremental, the fact that

debtors would even be in the position to achieve them would be a potentially revolutionary shift.

But in the long term, any debt collective must have as its goal the establishment of a credible and systemically damaging threat of refusal. To constitute a threat to the debt system as a whole, the threat of debt strikes must eventually be used to win shifts in the *form* of the debt, not just in its parameters. If these collectives rest after achieving only tweaks to interest rates and payment plans, or even upon establishing state control of basic needs, they will have won little worth fighting for.

In the end, though, it's not for activists and commentators to prescribe what debtors can and should demand, but rather to help build a structure that allows debtors to make their demands more forcefully. At the moment, what the debtors demand is less important than the fact that they are in a position to make demands at all.

In this way, perhaps a debt strike is best viewed not as a means to a particular end but rather as an aperture, a moment in which new possibilities can be imagined and new approaches experimented with. This is the fundamental way in which the concept of Jubilee-achieved-through-debt-strike diverges from the original conception of Jubilee-from-above (under which the institutions of government grant freedom from debt). In the latter form of debt abolition, the power relationships that engendered the debt in the first place remain intact and perhaps even strengthened, as was the intention of the original Bronze Age decrees.

What makes a debt strike so different is that it need not preserve existing power relationships. After a truly successful debt strike, we are not only free of debt, we are also free of our reliance on the institutions, structures, and imposed priorities that put us in debt in the first place. This is not, however, a given. After a debt strike, organized debtors may establish that our debts are now negotiable, but it will still be necessary to assert that our lives are not. What comes next? The great democratic promise of a debt strike is that the answer to that question may, finally, be up to us to decide. ■