

## **PEDAGOGY OF DEBT: FROM MIGRATION TO INSTITUTIONAL CHANGES**

### **Debt and emancipation**

The basic reason for being in debt among my respondents in Iceland was a loan taken to buy a house or a flat. The second popular reason was a car loan, and then credit taken to launch one's own business (secured by mortgage). Education also resulted in being indebted, because of student loans. These student debts were not considered a significant burden in monthly spendings of respondents' households, though the date when student loans will be repaid was unimaginable for everybody. In this perspective, debt can be understood as shadow following active people. They chose a place to live (a house), they became geographically mobile (a car), they decided to educate themselves (a degree) and to run a business. Their debt is the long-term consequence of purchases.

The two elements of the opposition credit/debt inform us about a basic lack. It was the lack of resources, which made it difficult to become equal with the reference groups. They felt this lack before taking the loan and when they had to pay it. Reference groups are people one aspires to and compares oneself to – for example when people from the group have cars, one usually also wants to have it. However, the purchase can be treated as luxury for the broader public. As a consequence, people who became indebted trying to get what others from their reference group already have had, are often blamed for their fate, unless their aspiration was to level themselves to a generally accepted minimum standard, that is, to escape poverty.

Debt can also be produced independently from loans; e.g. by getting fines; because of unpaid housing rent; obligatory reparations of buildings; guaranteeing someone else's debt; healthcare costs or by inheritance.

### **Debt and gender**

One of the reasons of falling into debt is the traditional division of social roles in the family, which still exists. It presupposes that the man is the breadwinner and the woman decides how to satisfy the household's needs. Tracing stories of debt, one may find that even in Iceland the man undertakes contacting financial institutions and subsequently decides what needs to be discussed collectively by the family. Despite the traditional gender scheme being often abandoned, it is especially strong among couples from different countries in which the woman is an immigrant. As a result, there are cases when women get married to men who present a wide variety of signs indicating a high social status (e.g. a house, cars, holidays abroad, luxury goods), but these signs are all "on credit". Insufficient knowledge regarding rules of possession in contemporary capitalist societies leads women into debt; the existence of which they don't know about until the divorce. Debts which burden people because of such a "catch", are called sexually transmitted debts (STDs).

More complex cases of STDs come into being when migrants create "migrant networks" (Faist, 2000) by supporting more or less kin new-comers in a new country. Sometimes, helping meant that a migrant family, which was well-established in Iceland (owning a house) guaranteed a loan for a new-comer's car. Without such guarantees, a person with "no history" had hardly any chance of buying expensive but popular products. The financial crisis in Iceland induced a sudden diminishing of these support networks. Debts caused by car loans (often taken in foreign currencies) increased rapidly, new-comers capitulated and left the island, while their debts accumulated and loaded mortgages of guarantors, threatening financial security of the most integrated immigrant families.

### **Debt and subjectivity**

It is more difficult for indebted people to say "enough" and answer a "hippie" call to leave the "rat race". They will not stop working even if they have all the material goods they need. The necessity to pay back their debts in instalments forces them to sustain relationships, which provide them with constant income. Thus, debt is an important part of disciplinary mechanisms in affluent societies.

It is important to distinguish obligations to other people from debts in financial institutions. Debts between people suggest deeper social relations between the debtor and the creditor, while relations between people and legal personalities are only based on law. These debts are measurable and they may be collected by the use of all means attributed to the power in a given society.

The financial crisis in Iceland suddenly brought many people into financial distress. What was new was the scale of the problem. There are heavily indebted people in all capitalist countries, but usually their problems are considered individual, not social. There are many reasons for that. One of them is the process of the growing isolation of indebted individuals. This process may be called the collapse of subjectivity or alienation. Financial distress often turns sociable people into apathetic ones, who isolate themselves from the world. Consequently, their families may fall apart and they will lose interest in their jobs, if the salary doesn't prevent

their debts from growing. Social workers in Iceland told me that their main challenge was to persuade indebted people to be more active, since many were in apathy. Sometimes they needed to go as far as to give orders to their clients, so that they would take a few simple actions and reduce their debt using available knowledge. Unfortunately, often only giving orders helps to restore the debtor's hope that escaping debt is possible.

Not all indebted people go to social assistance institutions. Some commit "heroic" deeds under the influence of their debts; i.e. actions that exceed existing social norms. This makes it even more difficult to perceive the problem of debt from more than an individual perspective. Debtors may break various social norms, such as destroying the property or robbing a bank (as one Polish priest did; Kaçki, 2010) in order to repay the debt.

### **Debt and education**

Graduating from university increasingly results in debt. In the global context, subsidising student loans by the state was supposed to soften the consequences of fees at universities worldwide. Only some countries, such as Denmark, provide students with real scholarships, sufficient to survive. Fees at universities differ from country to country, and once introduced, they tend to grow (Handley, 2010; Shepherd, 2010). One of the effects of state subsidies is the impossibility to distinguish loans from scholarships. Eventually, even people who were raised to be cautious with borrowing money decide to live under long-term financial obligations. The "profitability" of student loans seems to be functional for the contemporary capitalist order and this function is pedagogical. Subsidised credit "tames" young people for the financial system and simultaneously overcomes their cautiousness towards "living on credit". Student loans tend to be perceived as an additional income and some student organisations protest when the loan is too little to survive. When students in Iceland realised that there would not be enough summer jobs for them, because of increased unemployment, their organisations started lobbying for no holidays in the summer, so that they would get the loan.

Being aware of long-term obligations changes students' behaviour – the decision if they should do postgraduate study becomes a matter of financial calculation. Previous research shows that debt prevents people from further studies in the USA. It seems to influence the decisions of females more strongly (Davies & Lea, 1995; Fox, 1992). When people calculate how much education they can afford, debt can have its role as a mechanism regulating the number of students.

Debt is not a side-effect of education any more, but instead it became its primary condition. Thus, Jeffrey Williams (2009) claims that debt needs to be understood as a central experience for students and he enumerates 6 lessons which form "the pedagogy of debt". Firstly, debt teaches that education is only a consumer service. Secondly, it teaches to choose career paths which enable people to pay it back. Relatively low interests rates and a long time to repay the debt (in comparison to consumer credits) allows students to ignore the significance of starting their career "in the red", but the necessity of paying regular instalments makes it difficult for graduates to look for alternative or less commercial career paths. Thirdly, debt creates a world-view, in which everything is exchangeable on the market. Fourthly, it changes the notion of the citizen by redefining the social contract into an obligation towards financial institutions, which in return enables the indebted citizen to subscribe to public services. Fifthly, debt teaches only one value – that the basic dimension of other human beings is their financial potential, i.e. how much debt they can carry. Sixthly, debt teaches a very specific type of sensitivity. It is based on the fear of losing one's job or health (Ehrenreich, 1989), which would lead quickly to insolvency and subsequently to the financial ruin and social degradation of one's family. It is too early to say how effective this pedagogy is, but it is important to observe these lessons.

*This material is based on my article "New faces of poverty: Debt as a sociological category." published in Reykjavík: Félagsvísindastofnun Háskóla Íslands.*