

After the Jubilee

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If you look just at how things look on paper, the entire world is awash in debt. All governments are in debt. Corporate debt is at historic highs. And so is what economists like to call “household debt” — both in the sense of how many people are in the red, and the sheer quantity of what they owe. There’s a consensus among economists that this is a terrible problem, even if, as usual, economists can’t agree as to why. The mainstream, conventional view is that the “debt overhang” from all three is so vast it is stifling other economic activity. We have to reduce all of them they say, largely by either raising taxes on ordinary people, or cutting their services. (Only on ordinary people, mind you — mainstream economists are of course paid to come up with reasons why one should never do either of these things to the rich.) More level heads point out that national debt, especially for countries like the US, is nothing like personal debt, since the US government could eliminate its entire debt overnight if it simply instructed the Federal Reserve to print the money and hand it over to the government.

No doubt, readers will object: “but if you just print trillions of dollars, wouldn’t that cause severe inflation?” Well, yes, in theory, it should. But it seems the theory here is flawed, since that’s exactly what the government is doing: they’ve been printing trillions of dollars, and so far, it hasn’t had any notable inflationary effect.

The US government’s policy, both under Bush and under Obama (on such matters there’s been almost zero difference in policy between the two) has been to print money and give it to the banks. Actually, this is the way the US financial system has always worked, but since 2008, it has been intensified with reckless abandon. The Federal Reserve has whisked trillions of dollars into existence by waving its magic wand, then lent it at almost negligible interest rates to large financial institutions like Bank of America or Goldman Sachs. The supposed purpose was first to save them from bankruptcy, then, to get them lending and jump-start the economy. But there seems good reason to believe there’s another purpose, as well: to flood the economy with so much money that it would, in fact, create inflation, as a way of reducing debts. (After all, if you owe \$1000.00 and the value of the dollar falls by half, the value of your debt has just been reduced by half as well).

The problem is it didn’t work. Either to get the economy moving, or to increase inflation. First of all, banks did not invest the money. Mainly, they either lent it back to the government again, or deposited it in the Federal Reserve, which paid them a higher interest rate for just keeping it there than they were charging those same banks to borrow it. So in effect, the government has been

printing money and giving it to the banks and the banks have just sat on it. This is perhaps not too surprising, since the Federal Reserve itself is governed by the very bankers that it is giving money to. Still, while a policy of allowing bankers to print money and give it to themselves can work quite well if your aim is restoring the fortunes of the 1% — and it has done quite nicely at this — and though it has also allowed the rich to pay off their own debts and sent a good deal of new money sloshing around in the political system to reward politicians for allowing them to do so, even the Fed itself now admits its done very little to get employers hiring, or even to create any significant inflation.

The conclusion is so obvious even the people on the top are increasingly beginning to recognize it — at least, that minority of them who actually do care about the long-term viability of the system (rather than simply being concerned their own personal short-term enrichment). There will have to be some kind of mass debt cancellation. And not just the debts of the rich, which can always be erased in one way or another if they become inconvenient, but the debts of ordinary citizens as well. In Europe, even professional economists are beginning to talk of “jubilees,” and the Fed itself recently issued a white paper recommending mass cancellation of mortgage debt.

The very fact that such people are contemplating this shows they know the system is in trouble. Up till now, the very idea of debt cancellation was the ultimate taboo. Again: not for those on top themselves. Donald Trump, for instance, has walked away from billions of debt and none of his friends find this at all a problem, but all of them absolutely insist that for the little people, the rules must be different.

One might well question why. Why should the rich care so much that the debt of the poor should never be forgiven? Is it simple sadists? Do rich people somehow get a kick out of knowing that at any moment there are at least a few hardworking mothers being kicked out of their homes and having to pawn their children’s toys to pay for the costs of some catastrophic illness? This seems implausible. If you know anything about rich people you know they almost never think about poor people at all — except perhaps as occasional objects of charity.

No, the real answer seems to be ideological. To put the matter crudely, a ruling class whose main claim to wealth is no longer the ability to make anything, or even really sell anything, but increasingly on a series of credit-scams propped up by government support, has to rely very heavily on every mechanism that might make tend to legitimize the system. This is why the last 30 years of “financialization” have been accompanied by an ideological offensive unparalleled in human history, arguing that current economic arrangements — which they have rather whimsically dubbed “the free market” even though it functions almost entirely through the government giving money to the rich, is not just the best economic system, but the only economic system that could possibly exist, except possibly for Soviet-style communism. Much more energy has been put into creating mechanisms to convince people that the system is morally justified, and the only viable economic system, than has been put into actually creating a viable economic system (as its near collapse in 2008 clearly showed.) The last thing the 1% wants, as the world economy continues to teeter from crisis to crisis, is to give up on one of their most powerful moral weapons: the idea that decent people always pay their debts.

So: some 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. The real battle is over the form that it will take. Even apart from obvious questions, like how much debt will be cancelled (just certain mortgage

debt? Or a grand jubilee for all personal debt up to say, \$100,000?) and of course, for whom, there are two absolutely critical factors to look at here:

Will they admit they are doing it? That is, will the debt cancellation be presented as a debt cancellation, as an honest acknowledgement that money is really just a political arrangement now, and, therefore, the beginning of a process of finally beginning to bring such arrangements under democratic control, or will it be dressed up as something else?

What will come afterwards? That is, will the cancellation just be a way of preserving the system and its extreme inequalities, perhaps in an even more savage form, or will it be a way of beginning to move past them.

The two are obviously linked. To get a sense of what the most conservative option would be like, one might consult a recent report of the Boston Consulting Group, a mainstream economic think tank. They begin by agreeing that since there's no way to grow or inflate our way out of debt, cancellation is inevitable. Why postpone it? However, their solution is to frame the whole thing as a one-time tax on wealth to pay off, say, 60% of all outstanding debt, and then declare that the price for such sacrifices by the rich will be even more austerity for everybody else. Others suggest having the government print money, buying mortgages, and giving them to homeowners. No one dares to suggest that the government could just as easily declare those same debts unenforceable (if you want to pay back your loan you're free to do so but the government will no longer recognize its legal standing in court if you decide not to.) That would open windows those running the system are desperate to keep opaque.

So what would a radical alternative really look like? There have been some intriguing suggestions: democratization of the Fed, a full employment program to pull wages upwards, some sort of basic income scheme. Some are quite radical but almost all involve both expanding government, and increasing the overall number of jobs and hours worked.

This is a real problem because feeding the global work machine, increasing production, productivity, employment levels, is really the last thing we need to be doing right now if we want to save the planet from ecological catastrophe.

But this, I think, points us towards a solution. Because in fact, the ecological crisis and the debt crisis have everything to do with another.

Here it might help to understand that debts are, basically, promises of future productivity. Think of it this way. Imagine everyone on earth produces a trillion dollars worth of goods and services a year. And imagine they consume about the same — since of course that's what generally happens, we consume most of what we produce, minus a little wastage. Yet 1% of them somehow contrive to convince 99% of them that they still, collectively, owe them a trillion dollars. Well, aside from the fact that someone is obviously being seriously overcharged here, there's clearly no way these debts can be repaid at their current value unless everyone produces even more the next year. In fact, if the interest payments are set at, say, 5% a year, they'll have to produce 5% more just to break even.

This is the real burden of debt we're passing on to future generations: the burden of having to work ever harder, while at the same time, consuming more energy, eroding the earth's ecosystems, and ultimately accelerating catastrophic climate change at just the moment we desperately need some way to reverse it. Seen in this light, a debt cancellation might be the last chance we have to save the planet. The problem is that conservatives don't care, and liberals are still caught up in impossible dreams of returning to the Keynesian economic policies of the '50s and '60s,

which based broad prosperity on continual economic expansion. We're going to have to come up with an entirely different kind of economic policy.

But if a post-jubilee society can't promise the workers of the world an endless expansion of new consumer goods, what can it? I think the answer is obvious. It could offer security in basic needs — guarantees of food, housing, and health care that can ensure our children don't have to face the fear, shame, and anxiety that defines most of our lives today. And above all, it can offer them less work. Remember that in the 1870s, the idea of an 8-hour day seemed just as unrealistic and utopian as, say, demanding a 4-hour day would seem today. Yet the labor movement managed to achieve it. So why not demand a 4-hour day? Or a guaranteed four months of paid vacation? It is very clear that Americans — those who do have jobs — are absurdly overworked. It's also clear that a very large proportion of that work is completely unnecessary. And every hour saved from work is an hour that we can give to our friends, families, communities.

This is not the place to come up with a detailed economic program of how it could be done or how such a system could work — these are matters to be worked out democratically (myself, I'd like to see wage labor eliminated entirely. But maybe that's just me). Anyway, social change doesn't begin by someone mapping out a program. It begins with visions and principles. Our rulers have made it clear they no longer know what it would be like to even have either. But in a way even that doesn't matter. Real, lasting change always comes from below. In 2001, the world saw the first stirrings of a global uprising against the current empire of debt. It has already begun to alter the global terms of debate. The prospect of mass debt cancellation provides us with a unique opportunity to turn that democratic impulse towards a fundamental transformation of values, and towards a genuinely viable accommodation with the earth.

It's not clear if there's ever been a political moment with so much at stake.

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