

# Debt Forgiveness: Who Owes Whom for What?

February 26, 2015



The lion's share of indebtedness in this world is invalid and immoral. Forgiveness is not what is called for; it's liberation.

Talk of a "debt jubilee" leaves open whether the debts are valid or not, but talking about debt *forgiveness* raises the question of whether a debt is valid from a moral point of view.

By definition, calls for forgiveness imply wrongdoing by the one being forgiven. For this reason, forgiveness is seen not as a moral obligation but rather as an act of generosity. The God who forgives sinners is a God of love and compassion, not a vengeful God. But what if nothing wrong has been done? A prisoner who has been wrongfully convicted is exonerated, not forgiven. And if a person has indeed violated a law but the law is unjust, then forgiveness is not the relevant concept. Thus, to ask whether an act should be *forgiven* inevitably raises the question of whether the act was morally wrong.

Most debtors in the world today—including those in debt bondage, in medical debt, in education debt, and more—have committed no wrongs, so what is called for is cancellation and liberation, not forgiveness.

Building consciousness against the validity of debt in the world today is essential to building a movement that can force the powers-that-be to rescind the debt or at least restructure it in more favorable terms. It is also important psychologically for the indebted. We are raised to believe we ought to obey the law, including paying our debts, and hence we feel guilty, ashamed, or embarrassed if we do not. Whole countries are in thrall and made to beg for relief. Rejection of the validity of our debts can at least relieve the psychological burden of those burdened by debt and can help to build a movement against them.

## Immoral Debts

There are many situations in which debts clearly lack moral validity. One particular egregious case involves debt bondage. Only desperately poor people agree to loans forcing them to work for a lender for extended periods of time. Though recognized as a modern form of slavery, often passed through generations, and illegal in most countries, it is nevertheless pervasive throughout the world, even in the United States. Obviously, debtors in this situation need liberation, not debt forgiveness.

Whole countries are in similar straits due to exorbitant loans by powerful countries that reap the bounty of these countries' resources. Through structural adjustment programs (loans from the International Monetary Fund that come with coercive strings attached), debtor nations are required

to enact harsh austerity measures to pay their debts to international lending agencies, which have been likened to loan sharks. Again, only desperately poor countries would agree to such conditions. Moreover, the causes of their poverty are in most cases inextricably tied to racism and imperial domination, both historically and in the current period.

These examples are extreme and may seem irrelevant to most people in the United States who are in debt. But their very extremity helps to bring out the core idea expressed by Ralph Waldo Emerson who said, "A man in debt is so far a slave."

The majority of Americans are in debt for two reasons: medical bills and loans to pay for higher education. Even public universities today cannot be financed by most people without loans, and even middle class people are a major illness away from financial disaster. Medical bills are the cause of 60 percent of bankruptcies in the United States, but bankruptcy cannot save those burdened by student debt who can never escape their debt. Are medical and student debt and the suffering they cause simply unfortunate for the individuals? Or should the debts be forgiven? Or, rather, shouldn't they be seen as invalid in the first place? Every human being ought to have the medical care and education they need as basic rights. Medical care is a matter of life and death, and education at all levels is necessary for a better life both for individuals and for the society as a whole. The development of human capacities is essential for an advanced society and for any democratic one. Our global economy and the global ecological challenges we face make it all the more imperative.

Mortgage debt is another huge contributor to Americans' indebtedness. Due to predatory and fraudulent loans, and harsh loan terms, home foreclosures are often the consequence. The economic downturn, for which workers are hardly responsible, may have made them unable to make their mortgage payments. Or perhaps they could not pay their taxes because they were public employees whose financially strapped municipalities reneged on their contracts. In one case contracts are sacred; in the other, they are not. Home ownership happens to be the most significant financial asset for black women, who are also disproportionately public employees. So who owes whom for what here? Randall Robinson's *The Debt* argues powerfully that the United States owes reparations to descendants of slaves whose labor created the wealth in the United States.

## **Climate Debt**

One could go further in challenging the moral legitimacy of debt than I have done so far. The act of declaring most debts invalid does not fundamentally challenge capitalism, which rests on the idea that a society based on unlimited private property is the morally best system. (Some defend capitalism in explicitly moral terms, while others claim it is the only possible system, and therefore moral criticisms are otiose.) Reformers of capitalism advocate limits on private property and the provision of basic incomes to everyone so no one need go into debt, but these reforms have not taken hold: indeed, the more capitalism has developed throughout the globe, the more unequal it has become.

Going further, if we recognize that private property rights by definition are rights of exclusion, then we could advocate common property as the moral norm for a society, but with personal property (that is, property for personal consumption—thus distinguished from private property) as a core element of a good society. All humans are morally equal and should share whatever is shareable, starting with the basic resources of the planet.

Establishing universal access to planetary resources as a moral norm leads to a very different understanding of debt. Individuals' debts pale, exposed as invalid, and instead we begin to countenance a colossal, unpaid, and morally valid debt: climate debt. By this I mean the debt owed by the richest countries (which have stoked climate change with their carbon emissions) to some of

the poorest countries in the world, which are suffering the most from global warming, even though they did nothing to cause it. This debt ought to be paid but is rarely even acknowledged by those who owe it.

From desertification in Africa, to flooding in Bangladesh, to the loss of fresh water in Bolivia due to glacial melt, the damage is staggering. Ecological refugees now outnumber refugees from war and violence. And if countries in Africa, Latin America, and Asia must restrict their development for the sake of the planet, they should be compensated by those who have benefited from the unsustainable economic system that has caused the crisis. Ironically, many of the countries that are owed compensation for ecological damage are “debtor nations,” in thrall to global capitalist institutions. But who really owes whom?

## **Changing Consciousness**

The facts are clear. The problem is political: how to build a worldwide movement that can force countries to adopt more sustainable and equitable models of economic life and to reverse the dominant understanding of who owes whom for what. As with all social movements, there are both intellectual and practical tasks. We need to break the hold of the dominant ideas, which justify the status quo—no easy task, given the corporate hold over the media in this country. These dominant ideas are moral but also empirical, in the broadest sense.

In fact I think there is often more agreement on fundamental moral principles than it seems. For example, regarding poor countries’ indebtedness: if we ask most Americans whether we should give more in foreign aid, probably most would say no. However, I have found throughout my years of teaching, that my students were enormously more generous than United States foreign aid is. Most thought we *should* be giving around 20 percent of GDP in (non-military) aid, thought we *were* giving maybe 5 percent and were deeply shocked to know that *in fact we give* less than 1 percent. Add the historical information as to why certain countries are poor in the first place and the argument is even more compelling that their debt should be exonerated.

Similarly I think most people in the United States are appalled by the fact that the financial institutions that caused the Great Recession were not punished, while poor people are losing their homes. Hypocrisy is deplored universally. Our religious traditions predate capitalism and have powerful resources to challenge the validity of most contemporary indebtedness. St. Thomas Aquinas, for example, said that if a poor man takes from a rich man to feed his family, then strictly speaking that is not theft.

But ideas change not primarily by good counter-arguments, but by the sense that other worlds are possible. And this sense develops through political struggle. The history of the labor and poor peoples’ movements in the United States, as documented by Frances Fox Piven and Richard Cloward in *Poor People’s Movements*, shows that people have to be willing to disrupt the status quo to make changes. Sit-ins to prevent evictions are one strategy; debt refusal is another. But individual refusal is fragmented, complicated, and risky. Instead, we have to figure out how to make this protest collective. Protests against austerity measures enacted to meet debts that were taken on by public bodies, whether in Detroit or Athens, are one kind of collective refusal. The use of eminent domain to acquire houses threatened by foreclosure and then sell them back to their owners at affordable prices is another. People in Richmond, California, have actively considered this creative use of eminent domain.

In struggle for the recognition of climate debt, the first step to building a movement is to nurture—on the most profound level—an appreciation of what we are losing and what needs to be done to save ourselves. As Evo Morales and others in the developing world have said, we have

enough resources for all to live a good life, but not for everyone to lead the rich life of the well-to-do in the developed world. While I do not believe that kind of radical change is possible within capitalism, I believe we must demand support for any measures or experiments that point us in that direction. A revitalized democratic labor movement that fights for the long-term interests of working people is also crucial to both struggles.

Religion has a vital role to play in this struggle as well. Although indigenous and Eastern religious traditions have the most ecological understanding of humankind's relationship to the rest of the natural world, adherents of all religious traditions should be outraged by our ecological crisis. To see this beautiful planet of ours as God's creation, given to humankind, and then to see it trashed should feel sacrilegious as well as self-destructive.

This piece was first published in *Tikkun*.

\*Nancy Holmstrom is Professor Emerita of Philosophy at Rutgers University. A lifelong activist, she has written on core political-philosophical topics, including freedom, alienation, rationality, and human/women's nature. She edited *The Socialist Feminist Project* and co-authored *Capitalism For & Against: A Feminist Debate*.