

The subject-in-debt: notes towards a sociology and philosophy of indebtedness

Nathalie Karagiannis and Peter Wagner

Today, individuals, households and states have accumulated enormous amounts of debt. Their indebtedness has significant social and political consequences. The accessibility of credit can be seen as a new indicator of social stratification and class division.¹ In turn, highly indebted states face severe constraints on their capacity for action owing to the need to retain credibility on financial markets. Indebtedness is a central topic of our time. The main tendency in critical debate is to see the indebted subject as a dominated and disempowered subject.

There is certainly much truth in this view. At the same time, however, this view accepts a rather narrow, economic-financial understanding of debt and explores only the consequences of indebtedness of such kind. It does not look at the broader pre-conditions of a debt relation between subjects nor at the variety of ways in which a debt relation can be understood. In this brief note we want to suggest, in contrast to the dominant critical view, that the debt relation contains emancipatory and empowering possibilities for the indebted subject. To identify them, one needs to explore the broader meanings of debt and the ways in which indebtedness constitutes social relations. In particular, we suggest that it is at the point of breakage when debt becomes unbearable – often called “crisis” – that we observe the rise of the subject.

We will start out from observations about the differences and asymmetries between economic and non-economic understandings of debt. In a second step, we will reflect on the reasons for the historical rise of the economic understanding of debt. Thirdly, we extrapolate from the preceding reflections and suggest that debt can be seen as constitutive of social relations and that disputes over debt have the potential for social transformations. This will allow us, fourthly, to see how an indebted subject's reaction to unbearable debt breaks up the imposed economic understanding of debt and creates the conditions for empowerment. Directions for further research point towards the constitution of different individual or collective subjects according to the world-making capacity they discover through settling – or “unsettling” – their debt.

Debt and historical time

That exchange relations between human beings can be conceptualized in a variety of ways of which the economic understanding is only one is no novelty for anyone interested in the foundations of the social sciences, in particular in non-utilitarian foundations of the social sciences. Nor is the fact that the timeliness of the exchange is important in defining the social relations.² But little attention has hitherto been given to historical time in this respect.

The invocation of a past debt between two (collective) subjects is often made to solicit action in the present.³ We can start with a recent example: The financial crisis in the Euro-zone led to a confrontation between “debtors” and “creditors”, particularly pronounced between the SYRIZA-led government of Greece and the German Minister of Finance, Wolfgang Schäuble. At its high point during the summer of 2015, this confrontation took the form of invocations of different forms of

1 Marion Fourcade and Kieran Healy, "[Classification Situations: Life Chances in Neoliberal Society](#)", *Accounting, Organizations and Society*, vol. 38, 2013: 559-572.

2 Marcel Mauss, *Essai sur le don*, Paris: PUF 1973 [1924]; Pierre Bourdieu, *Esquisse d'une théorie de la pratique*, Geneva: Droz, 1972.

3 The reflections here have been developed in the context of the research project “The debt: historicizing Europe's relations with the ‘South’”, funded by the consortium Humanities in the European Research Area (HERA) within the framework of the Joint Research Programme “Uses of the Past” (HERA JRP UP, 2016-2019).

debt. The German government focused on the monetary terms of the crisis arrangements and emphasized the amount of the debt, the need to fully repay, and to do so within agreed times. From the Greek side, the debt was placed in larger contexts. Reference was made to reparations due for the German occupation of Greece during the Second World War. Specifically, it was underlined that the Nazi government of Germany had extracted a loan from the Greek state that was never repaid. In the broader debate, Europe was also seen as indebted to Greece for the invention of democracy.

These invocations of debt can be distinguished by their historical temporality. The recent agreements within the European Union and the Euro-zone are financial arrangements set up in legal terms, with obligations situated between the present and a delimited future, and signed by explicit representatives of current collective subjects. The debts incurred at the time of the Second World War are more diffuse, but do not entirely escape the possibility of calculation. First of all, even though the personal signatories of the debt have long died, the collective subjects still exist, given that there is declared continuity of statehood for Greece and, with some complications, for Germany. Furthermore, the Nazi loan was an explicit loan, and the only difficulties consist in assessing its legal status today and recalculating the debt across seven decades with changing currencies and significant inflation. The question of reparations for war and occupation is already more complicated. There are international understandings of reparation payments, but they are always open to contestation. Furthermore, they are linked to the question of war guilt. For the Nazi war inflicted on Europe, the question of moral and political responsibility beyond economic damages is without doubt. Thus, invoking a debt of Germany towards Greece in this way enlarges the relation between both subjects beyond calculation and extends it across historical time.⁴ To invoke Europe's indebtedness to ancient Greece for the invention of democracy does the same, *a fortiori*, and it does so in a positive sense: debt is here related to gratitude. There is no way in which this debt could be “paid back”.

Taking our cue from this example of invocations of past debt, we can recognize that the further the past, the easier it is to talk about debt in a non-economic discourse. At first sight, this asymmetry can be related to difficulties with events long past: The subjects are possibly no longer the same, not only individually but also collectively. The “currency” – in a broad sense of the term: specifying the relation between what was given and what was received – in which to account for the debt may have changed. And in contrast to the interest that accumulates with an unpaid financial debt, the passing of time may be seen to diminish the amount of moral and political responsibility, but in an unspecified way. However, the difficulty of calculating debt across longer stretches of time also creates an opportunity, namely of considering the relation between two collective subjects in a wider horizon. The limitations of access to a remote past make it more acceptable, at times even unavoidable, to focus on elements that do not have strictly quantifiable consequences in the present.

In turn, it seems that the closer in time is the event of exchange, the more adequate appears to be the explanatory potential of the economic approach. In part this is so because of the reverse of the reasons mentioned before: The exchanging subjects may be present and clearly identifiable; the terms of their exchange are suited for quantification; they may even have used quantitative assessment at the moment of exchange. But there are further reasons that are related to the view of time itself, or to the view of its nature: Over the short run, it may seem permissible to use an abstract notion of time, a time that can be divided into segments of equal duration and without qualities, that is not loaded with facts and their perceptions and interpretations. Time itself is measured, and not merely that which has been exchanged. Across such time, nothing changes; time just runs its course, *ceteris paribus*.

4 For an analysis of the historical way in which the West German state and the state of Israel dealt with responsibility and reparations, see Joëlle Hecker, *Les temps et les modes de la reconnaissance politique : la RFA, Israël et la Claims Conference (1950-1990)*, doctoral thesis, Paris: Institut d'études politiques, 2014.

Finally, more recent situations of indebtedness may lend themselves to a more economic interpretation also because this interpretation itself emerged in explicitly form only in recent history and is often seen as steadily increasing its significance. It is to this question that we now turn.

The rise of the economic understanding of debt

The explicit formulation of what we call here an economic understanding of social relations and its marked conceptual separation from other understandings dates from the seventeenth and eighteenth centuries. For our reflections here it is important to underline that this conceptual innovation was pursued for a purpose. The central idea then, as is well known, was to expand the place of commerce among human social relations. But this proposal arose in response to persistent problems in human history, namely strife, warfare and misery. Against this background, the argument ran as follows: When human beings increasingly trade goods with each other because of specialization and a division of labour, then they depend on each other and will no longer fight wars against each other. In such an arrangement, furthermore, the pursuit of one's own interest in producing more and selling more of one's product will tend to maximize the general level of satisfaction of needs. The former reasoning is known as the "sweet commerce" (*doux commerce*) argument, originating in Montesquieu, the latter one as the "wealth of nations" argument, made famous by Adam Smith.⁵ In other words, the notion of economic relation was developed as a tool to further peace and material affluence in human societies.

From the late eighteenth century onwards, however, the reasoning changed. From being a conceptual tool that improves human society in specific respects, the economic relation became a model for human relations in general. It came to be seen as a form of social bond that was superior to other, time-honoured forms. This superiority was defined in two respects, very often connected to each other: First, it was seen as liberating human beings from bonds that meant bondage. The commercial relation made human beings free and equal. Secondly, it was seen as functionally superior. It would generate beneficial individual and collective effects.

This assumption of normative and functional superiority, combined with the evolutionist thinking that was widespread during the nineteenth century, led to the theorem of the historical rise of individual instrumental rationality. This is a classic theorem of critical social theory, maybe first most poignantly pronounced by Karl Marx and Friedrich Engels in the *Communist Manifesto* with the claim that all social bonds will be dissolved in the icy waters of egotistical calculation in the wake of the rise of the bourgeoisie. It is taken up in modified form by scholars such as Max Weber, Theodor Adorno and Max Horkheimer. While the latter develop a radically critical perspective, current rational choice theorizing both takes note of the historical rise of individualism and rationalism and praises it. The world, so is assumed, has been transformed so that human beings increasingly relate to each other in economic terms, and this makes human societies more rational.

If this were so, and unavoidably so, not much more would need to be said here. Without entering too deeply into historical analysis, we just want to mention three approaches that cast doubt on the theorem of the inescapable rise to dominance of the economic bond between human beings. In his analysis of "the rise and fall of market societies" from the nineteenth to the middle of the twentieth centuries, Karl Polanyi suggests that there is an inherent limitation to applying the idea of market self-regulation as the consequence of individuals interacting rationally in pursuit of their preferences.⁶ If goods are exchanged as commodities even though they are not suitable for such

⁵ As Albert Hirschman (*The passions and the interests*, Princeton: Princeton University Press, 1977) had aptly put it, these were strong "arguments for capitalism before its triumph" (even though they might better be called "arguments for commercial society").

⁶ Karl Polanyi, *The Great Transformation*, New York: Farrar and Rinehart, 1944.

treatment because they have not been produced as commodities (namely land, labour and money, for Polanyi), then negative consequences of such a kind will arise so that “society” will move to defend itself against the consequences of commodification. As Polanyi put it, the idea of market self-regulation “disembeds” the economic relation from other bonds between human beings; society's response urges and aims for a “re-embedding”. While Polanyi was writing during the Second World War and was duly skeptical of the outcome, the experiences of the post-war period then led scholars such as Talcott Parsons and Jürgen Habermas to theorize the appropriate, “embedded” place of commodified (economic, market) relations in society, a place within which they should be and can be contained. This thinking, in a way, returns to the idea of the economic conception as a tool the functional benefits of which can be reaped without jeopardizing other important aspects of human social life.

However, it remains doubtful whether the place of economic bonds in social life can indeed be defined a priori and in institutional terms. Parsons and Habermas were optimistic, but Polanyi was troubled by such doubts. More recently, indeed, the view of the adequate embedding of economic relations into social life was criticized from two different angles. Reviewing colonial-imperial domination, Dipesh Chakrabarty makes a distinction between History 1, determined by the logic of capital expanding across the globe, and History 2, the plural history of resistance to History 1.⁷ There is no balancing in this perspective, but historical openness. Like Polanyi, Chakrabarty emphasizes the unacceptability and unsustainability of the expansion of the economic relation.

More directly Polanyi-inspired scholars, in turn, have analyzed recent politico-economic transformation as a new dis-embedding, without any identifiable prospect of re-embedding (yet). Among them, Wolfgang Streeck focuses explicitly on the debt relation. He sees increasing indebtedness as the latest historical stage in the unfolding of the logic of capital.⁸ Keynesian debt-financing had worked on the assumption that debt-financed economic stimulus would create a dynamics of growth that allows future debt reduction, a kind of self-rescuing device. From the 1980s onwards, however, private and public debt “buys time” without any sustained argument about a future in which the possibility of repaying the incurred debt will arise. This situation points to a limit, to a radicalization of debt practices, and that is why it is addressed as a debt crisis.⁹ There is, however, a profound ambiguity in this situation. What is often overlooked is the imminent possibility of a transformation of the meaning of debt.

Clearly, the authors who address the debt crisis do so in economic terms, to start with. They point to increasing amounts of debt and relate debt to the capacity of subjects to repay the debt within specified temporal limits. The amplification and generalization of indebtedness, however, potentially undermines the economic meaning of debt in as far as repayment within specified periods, or even repayment at all, becomes less likely or even impossible. Generalized indebtedness is a new social situation that escapes the dis-embedded economic understanding of debt, which aimed at making money-lending one more tool of functional economic organisation. In this situation, indebtedness can become “too large to fail” the debtors, to paraphrase a term hitherto only used for banks.

We mention these works as examples for the plausibility of not one, but two key observations about

7 Dipesh Chakrabarty, *Provincializing Europe*, Princeton: Princeton University Press, 2000.

8 Wolfgang Streeck, *Gekaufte Zeit*, Berlin: Suhrkamp, 2013.

9 The currently globalizing industrial capitalism and its associated way of life intensify both resource extraction and emission of pollutants. Excesses of the present are made possible by “buying time” and “mortgaging the future”, but largely ignoring the available assessments of the future conditions under which “repayment” would have to be done. In the following we only briefly develop the reasoning with regard social relations, but a related argument would need to be elaborated for the relation between society and nature as well. Within social relations, there is always the possibility of cancelling a debt. Forgiving is a way of forming future social relations, as Hannah Arendt underlined. But it may not be available to the planet with regard to the indebted human beings that inhabit it.

historical transformations, namely: that we have reason to assume that over the past two centuries the significance of the economic bond between human beings has increased, but that this increase has also met resistance that aimed at re-emphasizing other bonds between human beings. Historically, furthermore, this resistance has led to empowerment of those who resist and to social transformations, such as the building of organized social solidarity and decolonization. In the current situation, such empowerment does not seem to be on the horizon, and increasing indebtedness is mostly analyzed as a new form of domination. To go beyond such analysis, one needs to retrieve a broader non-economic understanding of debt and mobilize it in the light of our starting observations about how past debt can be invoked to call for action in the present.

The subject-in-debt

In its economic sense, debt is fixed and calculable, as that which one autonomous economic actor owes to another. There is a clear quantitative meaning to satisfying the demand of a debt, and in most cases also a definition of the time over which a debt has to be repaid. There is no other meaning of time than the intervals during which the debt is to diminish in agreed terms. Past debt will only be invoked to demand or to demonstrate repayment. The full repayment of the debt is an act that cancels the relation between creditor and debtor. This is the prevailing meaning in a market society in which the commercial bond is the key relation between human beings.

This understanding is based on the premise that a debt is a contract bringing together the free will of two individuals. This premise is formed by three components: a) it sees debt as a contract that inaugurates and constitutes the relation and defines the conditions for its end; b) that it supposes the free will of the people involved; and c) that these people are individuals. In contrast, we suggest that a more fruitful way of looking at a debt relation is based on the premises that a) debt is an irreversible, always-already-there relation;¹⁰ b) that the reasons for incurring a (new) debt arise in situations where the term “free will” is hardly applicable;¹¹ c) that a debt is not an occurrence between decontextualized individuals who merely sign a promise to pay; it is their being tied in a net of relations which makes the debt possible, the guarantee against which a loan is normally given being the simplest sign of such embedding.¹²

The confrontation of these two sets of premises shows that the economic view of the indebted subject is much narrower than the broader understanding that we propose.¹³ One could say that at best the economic view captures very specific debt situations but fails to grasp the social phenomenon of indebtedness in general. Indeed, in our view, the economic actor is the narrow but supposedly all-encompassing container of the subject-in-debt, a much richer and varying social person whose relations are guided by interest and many more passions.

10 We are indebted to Charles Malamoud's work on the brahmanic understanding of debt (“Théologie de la dette dans les Brāhmaṇa”, in *La dette*, Paris: Editions de l'EHESS, 1980). Malamoud underlines that in both brahmanic practice and language debt is “first, autonomous, and non-decomposable” (p. 45), that is, it does not refer to anything before it and is not explicated by any primordial myth. It just is. The ramifications of such an understanding are extremely fruitful, because they are very far from implying a passive or abstract view of the subject, who, on the contrary, is called upon to “make world” (pp. 51-53) by settling the debts of different natures that she has. Unfortunately, there is no space here to further develop points that we shall explore in the future.

11 We can consider two extreme but typical situations: that of the ideal entrepreneur who incurs a debt in order to expand his flourishing affairs in competition with other entrepreneurs and that of the poor person who is threatened to lose everything unless he gets indebted. In both situations, the social context demands incurring debt in ways that cannot be captured by the notion of preferences of autonomous actors.

12 Many languages reflect the broader foundations of the economic meaning of debt by insisting on the need for the creditor to believe (“credere”; “glauben”) in the future actions of the debtor.

13 We use the term “indebted subject” to capture the empirical situation of indebtedness. The term “subject-in-debt”, in turn, is proposed as a concept for understanding debt as constitutive of social relations. This section draws generally on what for present purposes we can summarizingly call non-utilitarian understandings of social relations.

Despite these obvious failings, the economic concept dominates the prevailing understanding of debt. A main reason for this dominance resides in its usefulness as a tool. Debt in the economic sense creates capacities, but in a double, socially contradictory sense. On the one hand, it capacitates the debtor. Entering into an economic debt relation by contracting a loan can be liberating by permitting the use of resources one could not otherwise avail oneself of, and to do so without obliging oneself to others in terms of personal bonds. For a state, running public deficits for work programmes and social policy measures can sustain “mass loyalty”¹⁴ and – under democratic conditions – help governments getting re-elected. On the other hand, debt in the economic sense capacitates the creditor by subjecting the debtor. To be highly indebted forces human beings to continue gaining revenues with a view to repayment and thus constrains their freedom in the future. Similarly, indebted states lose much of their capacity for “sovereign” policy action because they have to secure their “credibility” in the face of financial institutions rather than their citizens. In both cases, the constraints on people and governments due to indebtedness may be desired and even intended by the “creditors”, securing compliance and submission over long periods. In other words, the debt relation, economically understood, remains a tool for both liberation and subjection.

To understand, however, how a subject can emerge from subjection under a debt relation, a different concept of debt is required. Moving further along the lines of the three alternative premises that we sketched above, and drawing on and extending Marcel Mauss and Pierre Bourdieu's views on exchange and reciprocity, we first suggest that a widened concept of debt becomes almost synonymous to social relations in general: Social relations are sustained through exchanges (of various kinds), and every exchange has a temporal dimension. Between the giving and the taking time elapses; this lapse of time is marked by indebtedness.

Going a step further, secondly, we further suggest that such indebtedness generates social dynamics. It motivates people to act. Rather than looking at the social world from the angle of a performed operation of exchange after which “the accounts are in balance”, one should look at the social world as constantly driven by indebtedness, and in particular contestation of the latter or even “crisis”. There is some parallelism between such approach and the one developed by Luc Boltanski and Laurent Thévenot in their “pragmatic sociology”:¹⁵ Boltanski and Thévenot suggest that moments of agreement are less suitable to understand social interactions than moments of dispute. During the latter underlying repertoires of justification have to be made explicit, thus they become visible for analysis, whereas during the former they are concealed.

Even beyond pragmatic sociology, thirdly, there is a specificity to the debt relation. Disputes or misunderstandings leave something unresolved. Thus, they are drivers of action and interaction. But situations described in such terms do not a priori locate subjects within specific positions, whereas a debt relation does: some are debtors and others are creditors. Thus, a sociology and philosophy of debt starts out from an asymmetric social relation. It links with analyses of domination, but avoids a systemic perspective. In such light, debt can be seen as a core constituent of the dynamics of social action and social transformations.

Continuing for a moment the analogy between pragmatic sociology and a future sociology and philosophy of debt, we can regard the moment when a debt becomes unbearable – or when the debtor perceives it to have become unbearable – as the equivalent to the moment of dispute. In this moment, the debtor becomes a subject in a fuller way than the “actor” who treats the debt in a run-of-the-mill, economic way. The unbearable debt creates a subject who is no longer willing to assume the weight of debt, or at least no longer willing to assume it without contestation. It creates

14 Wolfdieter Narr and Claus Offe, eds, *Wohlfahrtsstaat und Massenloyalität*, Cologne: Kiepenheuer & Witsch, 1975.

15 Luc Boltanski and Laurent Thévenot, “The sociology of critical capacity”, *European Journal of Social Theory*, vol. 2, 1999, no. 3: 359-77; Luc Boltanski, *De la critique*, Paris: Gallimard, 2009.

a subject in the process of emancipation.

Debt and empowerment

Tentatively, we propose to distinguish three stages in the sentiments and passions of the subject who is indebted. They mark highly different attitudes to one's indebtedness, and even though they do not necessarily occur in sequence, their distinction is crucial for mapping out a different understanding of debt.

In a first instance, debtors whose debt has become unbearable often feel guilt. They overestimated their capacity to repay the debt. They should not have entered into a debt of such high amount, long-lasting duration and/or difficulty to monitor and control. The relation between debt and guilt has been a topic of moral philosophy and genealogy at least since Nietzsche. It has resurfaced during the current Euro-zone crisis both as a subject of conceptual history and as a topic of public debate, namely when alleged creditor countries, often with Protestant religious majorities, blamed debtor countries for immorally living beyond their means.¹⁶ The feeling of guilt may go along with a feeling of humiliation as well as either resentment of, or gratitude towards, the creditor.

Parenthetically, we note the case of the annihilation of the over-burdened subject-in-debt, the one who never fully becomes a subject. The most famous literary figure is Madame Bovary, who commits suicide under the unbearable weight of her accumulated debts. Both the specific character and the case of the annihilation of the person or the collective actor (state failure and all that this entails in terms of ruptures in the social net) need to be developed in full in the future.

In a second step, facing a situation without exit, debtors' passions may move to indignation and anger. The terms of the debt that were imposed on them were unjust and exploitative. The creditors abused a situation of need when contracting the loan. It was improper of them to grant a loan of which it was likely that the debtor would never be able to repay it.¹⁷ The state should have protected potential debtors by legally limiting the terms and conditions on which loans can be contracted. Such indignation and anger is directed in the first place against the creditors, but also against the political authorities that set the framework for the creditors to operate. Thus, it turns into an antagonism, defining opponents in a struggle.

In this process, thirdly, the debtors may recognize that they have the power to resist. They note the capacitating effect of their redefining the situation at the second step. If their situation is not their fault (alone), then something can be done about it. Responsibilities are redesigned and solidarities developed. What emerges are feelings of trust in oneself, in other debtors, and possibly in the collectivity; and with trust comes a sense of resilience, of becoming able to well exit the seemingly unbearable debt situation.

Our intuition is that as soon as a person, or a group of persons, pass from the first to the second cluster of sentiments, we witness the creation of the subject, a subjectivation, that is, a rising into political and social consciousness of the person. This is a process of empowerment and emancipation. The move from the second to the third cluster consolidates this process by pointing to a solution of the issue from which it started out as the identification of a problem. There is (always) a variety of possible solutions, more agonistic or more consensual ones. And there is no necessary or generally preferable passage from the second to the third moment. But the way in which this

¹⁶ See recently Elettra Stimilli, *Debito e colpa*, Rome: Ediesse, 2015.

¹⁷ This argument arose with regard to the indebtedness of Southern societies when "structural adjustment programmes" were imposed on them. It re-emerged in recent social movements addressing the mortgage crisis, namely the impossibility of real-estate owners to repay their mortgages, in many Northern societies, maybe most pronouncedly in Spain.

passage occurs leads to the forming of different social relations. They vary according to the intensity of the relation, the substantive definition of responsibility and solidarity, the criteria of inclusion or exclusion, among other features. A comparative history of welfare states, of the processes of their creation and the varieties of their institutionalization, would give testimony of one major case of such passage, given that the welfare state's theoretical justification is a debt that society has towards its workers.

There is no place here for more historical and empirical detail. But we want to suggest in general that it is fruitful to look at the history of societies in the light of the ways in which their members are indebted to each other, how their debt relations are shaped, and how from debt oppression processes of emancipation and empowerment can arise and transform societal institutions. We have pointed above to the history of colonialism and de-colonization and to the history of the workers' movement and organized social solidarity. Despite unprecedented levels of commodification and financialization, there is no a priori reason to assume that the multiple debt crises of the present time might not entail embarking on new, but similar trajectories leading from guilt and humiliation to indignation and anger to trust and resilience.