CLASSISM, CREDIT & CAPITALISM:
THE TIES THAT BIND DEBT AND INEQUALITY

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by

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San Francisco, California

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CERTIFICATION OF APPROVAL

I certify that I have read "CLASSISM, CREDIT & CAPITALISM: THE TIES THAT BIND DEBT AND INEQUALITY" by Jerika L. Heinze, and that in my opinion this work meets the criteria for approving a thesis submitted in partial fulfillment of the requirement for the degree Master of Arts in Anthropology at San Francisco State University.

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In August of 2007, the Federal Reserve submitted a report to Congress which concluded that credit scores vary 'substantially' among racial and ethnic groups but assured that “credit-score statistical factors and models are not biased against any particular demographic group, but are highly predictive of future payment performance” (Board of Governors of the Federal Reserve System 2007). This settled all concerns among the nation's lawmakers that the credit scoring system structurally hinders people, thereby affirming the existing ideology that credit scores are a report card of individual choices for which they have full power and responsibility for. This conclusion, however, left much to be desired in terms of causal factors that link racial/ethnic groups, particularly African Americans, to poor charting in national surveys (Board of Governors of the Federal Reserve System 2007). Despite the mainstream myth of post-racial America, racism and classism play an integral role in poor economic performance (Logan 2008). The problematic findings of the Federal Reserve serve as a framework for my critique.

keywords: debt, inequality, credit score, structural racism, classism, economic anthropology,

I certify that the abstract is a correct representation of the content of this Master’s Thesis.

Chair, Thesis Committee

4/25/2016
Date

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Preface

The following ethnography is a collection of debtor's stories that exist between the lines of economic statistics. It tells of those who fall outside of the formal economy: the downtrodden, the permanent underclass. It is a rebuttal to the 2007 Congressional report by the Board of Governors of the Federal Reserve entitled "Credit Scoring and Its Effects on the Availability and Affordability." Specifically, my research is a refutation of the report's findings that credit score is an unbiased tool to calculate risk assessment. This thesis is also an analysis of the layers of financial inequality that can be more clearly understood through ethnography and anthropological theory. Not only do I utilize qualitative data to refute the Federal Reserve's conclusion that credit score is unprejudiced, but I also examine the personal consequences of bad credit and its lasting effect on social mobility.

In chapter 1, I explore the findings of the Federal Reserve's "Report to the Congress on Credit Scoring and Its Effects on the Availability and Affordability of Credit", and locate my critique as a counterclaim that highlights the Congressional report's shortcomings. In chapter 2, I introduce three organizations that served as sites of inquiry into my analysis of debt and inequality. My chosen sites Debtors Anonymous, Strike Debt, and Operation Hope all offer individual insights into the dynamics of personal culpability over debt. Chapter 3 serves as a debriefing on the material reality of banking and credit. Chapter 4 is a chronological recount of race, class and gender in the post-racial era, which helps to explain the importance of the historical discourse of racism that is embedded in the Federal Reserve's report findings. Chapter 5 examines the impact that bad credit has on life possibilities and posits creditworthiness as a form of social privilege. Chapter 6 delves into ethnographic examples that showcase how personal accountability is only one among many factors contributing to bad credit. The life stories of my informants highlight a number of survival tactics that are employed in order to navigate the world despite their financial handicap. Chapter 7 illuminates the personal devastation that is brought about by reigning ideologies of personal culpability and misplaced responsibility. Chapter 8 explores how the self -internalized blame associated with debt invokes a vicious cycle of psychological and emotional torment that becomes more and more difficult to overcome. This section also explains why getting out of debt is not as simple as paying back what is owed, especially for those disadvantaged by institutional racism. In Chapter 9, the overarching statements of the Federal Reserve report are reframed to be understood as an affirmation of biased social facts which serve a dominant ideology. Chapter 10 summarizes the aforementioned points and further reiterates the goal of this thesis in explaining the importance of institutional racism as a contributing factor in credit outcomes.

I chose to adopt a personal narrative tone of writing throughout this piece, stylized after Anthropologist David Graeber's seminal work entitled "Debt: The First 5,000 Years" (2011). The self-reflexive passages are a testament to the intricately woven social fabric of debt from which none of us is exempt. As the French anthropologist Marc Auge argues in “The Anthropological Circle” (1982), we are always simultaneously a part of, yet external to, inquiries into human social structures. Thus, the nature of my anthropological gaze is at times introspective and not always from the outside looking in, on the grounds that social realities are shared and not exclusive. I also offer an insight into the definition of the term ideology as it is used in this thesis. The concept of ideology is taken broadly to mean a system of sacred or secular beliefs that rationalize an economic or political order (McLellan 1995). According to Clifford Geertz, ideology is a cultural system that infuses concepts and practices with constructed meaning (Geertz 1964:47). Since the social relations of production, which are the relations between classes or groups within a society, may be in conflict or may contradict each other, ideology hides or masks this reality by positing quite another reality as "true" (Marx et al. 1947).

In 2014, I was a graduate student at the University of Copenhagen studying with the support of high-interest student loans. Several months before my departure from the United States, I had requested a credit card with an electronic chip from my bank. However, the card never arrived due to a mailing error on the part of the bank. Throughout my time in Scandinavia, I was forced to withdrawal cash for all my transactions. Upon checking my bank statement, I was shocked to learn that I was hundreds of dollars over budget due to foreign ATM transactions fees and conversion interest. Upon speaking with the bank manager, I was told that even though the fees accrued as a result of the bank's initial error in leaving me without a chip card, I was responsible for the fees. Interlaced in our interaction were the managers own insinuates of my personal culpability, including but not limited to the following: “Why don’t you ask your parents to help you out. You said you’re a student, I’m sure they’ll understand… Our policies are posted online, why didn’t you read those before traveling? It’s your responsibility to read our updated policies… Why did you wait three weeks to call? You should be checking your account every day… Denmark is an expensive country, why did you travel there if you cannot afford mishaps, you should always have an emergency fund.”

Upon returning home to California, I was alarmed to find my car had been moved from my driveway and had accrued several tickets. When I called the city, I was informed that the tickets were issued when state workers were doing construction on my street and needed to use my driveway to maneuver their vehicles. Just as before, I was pelted with blame due to my lack of foresight. “They gave the neighborhood several weeks warning to please use off-street parking because they would be working in that area. Within the city of Sacramento, driveways are public property. The laws are posted online clear as day. Don’t you know to always give a spare set of keys to your neighbors when you travel in case the car needs to be moved." When I refused to pay out of moral grounds, the operator told me that choosing to contest the ticket would result in a $45 court processing fee, on top of the tickets which would most likely not be waived. The vehicle had accrued one ticket per day for three days and all three tickets were overdue and subject to penalty fees, plus the cost of the towing.

I decided to cut my losses and pay the tickets. Yet, when I went to pay online, it was brought to my attention that the use of a payment plan for those who cannot pay in full would result in an extra $30 charge on the delinquent account, in addition to a $3 monthly fee for using a credit card. I met my breaking point. I immediately changed gears into investigative journalist mode and contacted the Sacramento County Public Law Library Clerk. I swiftly began my correspondence:

"I have some questions I am hoping you could help me with...Why does it cost $30 for individuals to set up a payment plan? Where did that policy come from and how is it legitimized? And I was told that even if a ticket is thrown out in traffic court, the person still needs to pay a processing fee and court costs. What is that for? I would greatly appreciate any information regarding these fee policies, or understanding how they came about and what they are restitution for."

To my surprise, the clerk responded immediately.

"Hi Jerika. The California Legislature has desecrated the Judicial Branch's budget and as a result each Superior court must make up deficiencies by passing costs on the users of their services. In July, the Sacramento Superior Court started charging for online record access which had been free for years. This is an effort to recoup their cost in maintaining the database. It is political."

The paper trail ended there. Her three words said it all: "It is political."

This experience was just a glimpse into the realities of those who struggle to make ends meet amidst mounting bills and over drafted accounts. Although I am up to my neck in student debt, it was the first time I had actually felt the emotional, psychological and financial weight of owing. It was not, however, the first time I had heard stories of such agonizing encounters with governmentally accrued debt. The San Francisco chapter of Debtors Anonymous had been a longstanding field site of mine where I had been collecting data about the realities of debt and inequality. After hearing the phrase hundreds of times, it had now come time for me to echo the cliché.

"My name is Jerika and I am in debt."

"Hi Jerika!" the group said in unison.

This anecdote attests to the ease with which one can slip into debt excepting the condition of borrowing and not paying back. It is a demonstration of the ways in which unforeseeable facets of quotidian life can spiral into an abyss of deficit and misguided liability. The cultural emphasis on personal negligence over socially contingent incidents is an important element contributing to the moral ideology of debt, a concept that will be explored extensively in this thesis.

Debt is becoming an increasing reality for more and more Americans: 77.5% of all U.S. citizens are in debt, of which 62% are composed of medical spending, and the average ratio of household debt to income is 154%, or an owed amount of 1.5 times their income (Williams 2006:155). According to the Rolling Jubilee database, an ongoing statistical compilation of debt in America, 40% of people acquire debt by putting basic needs on credit (rollingjubilee.com 2015). Given the far-reaching nature of debt in the United States, the establishment of a deeper understanding of the lived experiences of debtors is both relevant and beneficial in approaching solutions. In fact, many of my informants volunteered their stories out of a desire for greater social consideration regarding the realities of life in debt.

Participant observation and field interviews were the main methods employed when collecting data. All contributors' names have been made anonymous to maintain their privacy. A critical analysis will be applied to organizations devoted to serving people in debt, which in the case of this thesis are the following: Strike Debt, Operation Hope, and Debtors Anonymous. Although I encountered individuals who declared that their subpar credit had been amended through the help and guidance of these nonprofit intervention organizations, I focus exclusively on the stories and experiences of individuals whose financial dilemmas could not be rectified by well-intended third party groups. My interest lies with the permanent underclass- those whose problems go beyond the ideology and organization of self-help therapy and budgeting classes. These services can be immensely helpful for certain individuals, however, are not a solution to help undo the structural inequalities embedded in the financial structure of the United States.

Chapter 1

The Federal Reserve Investigates Credit

In December of 2003, former President George W. Bush signed into action the Fair and Accurate Credit Transactions Act (FACTA), an updated supplement to the Fair Credit Reporting Act (FCRA) legislation of 1970. FACTA was proposed as a renewed measure enacted to ensure that new credit scoring technologies were compliant with consumer privacy rights (Federal Reserve 2007:S-1). The lack of data regarding the relationship between credit score and race/ethnicity was a problematic obstacle hindering further insights into the efficacy of legislation. As such, section 215 of the FACTA dictated that further research was required to analyze both statistical technology and data trends in order to better understand the inner workings of the American credit system (Federal Reserve 2007:S-1). Specifically noted by FACTA was the concern that access to fair credit was diminished for minorities and could possibly be contributing to opportunity inequality (United States Congress 2003:108). FACTA's demands for an in-depth investigation into the affordability of credit for low-income and minority citizens were acknowledged by the Federal Reserve, who thereby commenced a four-year study into the intricacies of credit.

The document, entitled "Report to the Congress on Credit Scoring and Its Effects on the Availability and Affordability of Credit" (2007), serves as the primary example of how the creation of social facts (Durkheim 1985:95) regarding debt, race, and personal culpability perpetuate pervasive dominant ideologies. The Federal Reserve utilized the demographic information of 301,536 undisclosed individuals and charted their financial performance over the span of seventeen months (Federal Reserve 2007:S-3). The study also took into consideration public observations and previous statistical research on credit and race/ethnicity. Through the Federal Reserve's newly created database, researchers analyzed data based on three areas of inquiry: loan performance, credit availability, and credit affordability. In August of 2007, the Federal Reserve submitted the completed report to Congress.

The Federal Reserve study arrived at four main conclusions:

1) Taking into account all demographic groups, individual credit scores were found to be highly predictive of credit risk in that higher scores equated to more infrequent occurrences of default. Lower credit scores were found in correlation with a more prevalent history of default (Federal Reserve 2007:S-1).
2) Credit history scoring models do not represent specific characteristics based on race, ethnicity, or sex. Age and immigration status were,

however, found to be proxies for specific characteristics (Federal Reserve 2007:S-1).

3) Racial divides are present in credit score averages, with African Americans and Hispanics having significantly lower scores than their Caucasian and Asian counterparts (Federal Reserve 2007:S-2).

4) Technologies developed over the past twenty-five years indicate an expansion of overall credit availability. However, no specific group has experienced a disproportionate increase in credit availability and affordability at the expense of another (Federal Reserve 2007:S-2)

In response to FACTA's concerns of discrimination, the Federal Reserve's congressionally mandated report assured that although credit scores vary substantially among racial and ethnic groups, credit-score statistical factors and models are not biased against any particular demographic group, but are highly predictive of future payment performance. The report went on to name contemporary credit scoring systems as an important linchpin in the competency of the American economy. Stating "The large savings in cost and time that have accompanied the use of credit scoring are generally believed to have increased access to credit, promoted competition, and improved market efficiency" (Federal Reserve 2007:S-1). The report supported the impartial accuracy of credit scores to foresee individual repayment decisions, which will be hereby referred to as individual creditworthiness. Credits scores were described by the Federal Reserve as "an inherently inexact science in that it attempts to predict the future" (Federal Reserve 2007:O-1).

The report summary cited their data interpretation as the *most likely* conclusion despite "limited available evidence" (2007:S-3). However, the causal factors of why certain groups are more susceptible to bad credit were not explored, thus indicating that the Federal Reserve based their findings on an incomplete range of determinants. For example, while the executive summary notes that "blacks perform worse than other racial and ethnic groups with similar credit scores", it only briefly mentions in a footnote that "other factors that could be important, such as differences in employment experience, were not available" (2007:S-4). The absence of social scientific and qualitative data in the Federal Reserve report is what prompted my thirteen-month field study which served as an in-depth examination of why low-income African Americans have generally worse credit than other groups.

In response to disproportionate credit averages on the basis of race/ethnicity, the Federal Reserve report severely downplays the influence of social phenomenon and instead spotlights personal accountability as the root cause of the racial disparity in credit scores. While the Federal Reserve's findings purport that the prevalence of bad credit amongst people of color is indicative of poor personal decisions, my thesis underscores that structural racism, a macro practice of discrimination by institutions against particular groups (Piliawsky 1984:135), is a relevant contributing factor that helps explain why African Americans struggle with bad credit

Chapter 2

Sites of Intervention

Amidst the bustle and noise of San Francisco's downtown jungle, a Debtors Anonymous (DA) group is gathered in a Catholic Church courtyard. One by one they entered the church annex at 12:30pm sharp, silently finding a seat. They exhibit a collectively modest demeanor with bowed heads that politely avoid eye contact. The room filled before the doors closed, the blinds were drawn and the group began their reflection in peaceful reticence. They gathered in meditation, blocking out the sound of car alarms and traffic horns with ease. At first glance, the depictions of the trials of Christ that lined the walls could lead one to believe the individuals were united here by a shared religion. What bound them all, however, was debt.

Debtors Anonymous is a 12 step addiction program that encourages small practical steps as interventional tools against detrimental compulsive behavior (Hayes 2000:30). This particular chapter of DA meets for lunch every Tuesday to provide mutual support and allows members to vent about their own personal struggles. The members are visibly loyal to the group’s 12 steps, which they maintain is integral to the healing process of overcoming. The recovery model was initially developed for Alcoholics Anonymous and was later remodeled to encompass any number of addictive or compulsive behaviors (Alexander and Rollins 1985). The 12-steps emphasize personal acceptance of one's financial shortcomings and encourages members to relinquish themselves to a higher power. Above all, one must surrender to the mantra: "I admit that I am powerless over debt".

On the other side of the San Francisco-Oakland Bay Bridge, another group gathers on the steps of Frank Ogawa plaza. They are a mixed collection of anarchists, self-described 'retired hippies' and politically active youth who unite to contest the notion that those in debt are powerless against the system. This local chapter of Strike Debt (SD) holds bi-monthly meetings to politically rally community members and empower them to push back against their own financial deficit. Equipped with their manifesto "The Debt Resistors Manual" (2012), a resource that will be cited throughout this piece, Strike Debtors urge people to learn their rights as lenders and low ranking members of the banking hierarchy. SD is a community organization that wants to radically change the way debt works in society. It reaches out to those in need through the practice of grassroots direct action. Teach-ins, eviction occupations, and public marches are just a few of SD's methods in undertaking community intervention. SD promotes the idea of mutual aid and sees debt as an enemy of the collective people, or the commons; as a tool for enclosure (Thompson and Thompson 2001:299). SD disrupts debt by utilizing a relief tradition called the rolling jubilee, whereby money is raised to buy off anonymous debt from the second-hand debt market, companies that buy debt from banks and utilize collection agencies to recoup losses (Strike Debt 2012:113). The jubilee originated as a biblical practice which dictated the forgiveness of debts and the release of prisoners from their debenture in honor of the Sabbath, as written in Leviticus (Bergsma 2007:1). Thus, the fight against debt is an ancient struggle.

Although the tents in Frank Ogawa Plaza have been taken down and traces of Occupy Oakland are now just memories, the spirit of social justice against economic inequality is alive and well among the members of SD. They are a highly educated group and speak in a controlled discussion style in which people sign up to talk, a protocol they call “taking stack.” Members take turns moderating the discussion each week so that one person does not continuously usurp the forum and gain too much authority. The topics they cover are varied: establishing a free check cashing facility, the concern of home foreclosures in Oakland, the high cost of living in the Bay and the ever present reality of increased police brutality against low-income people of color in the community. They are allied with many community groups, but their message is unique. “You are not a loan.”

A less radical approach is taken at Operation Hope (OH) of Oakland. Located inside a Bank of the West branch, OH offers financial counseling and community programs under a philosophy that communities that are bankrupted must reverse the mechanics of poverty. Employees and financial advisers map out plans for home ownership, give information about free goods and services, and provide a place for members of the community to use free internet and search job postings online. Diverging dramatically from the philosophy of Strike Debt and Debtors Anonymous, Operation Hope functions under the belief that it is the poor who will save capitalism by becoming upwardly mobile and entering the middle class (Bryant 2014).

The ethnographic work that sprang from these three field sites illuminates the interconnected relationship between debt, credit, classism and racism. These organizations demonstrate how the pervasive logic of personal culpability maintains a fundamentally broken financial system (which I will expand on in the following chapter) that continues to perpetuate oppression among those who have been historically victimized throughout U.S. history.

Bad credit scores, as outlined by the Federal Reserve report, are based on the idea that those who do not pay their bills pose a future financial risk for the bank that would result in a strain on our economy. Yet, as political scientist Robert C. Smith argues in his book "Racism in the Post-Civil Rights Era", the overwhelming majority of black Americans work low paying jobs that hold them below the poverty level. These menial jobs maintain the American economy at the expensive of African American upward mobility (Smith 1995:132). The black community is an archetypical example of an expendable population, as outlined by anthropologist Gerald Sider. They are a demographic that is used to serve the purposes of a dominant sector of the society (Sider

2014:166). African Americans continue to occupy the historical role of the workhorse, invisibly turning the gears of the nation despite little regard for their output and a hyper-focus on their collective financial deficiencies (Bush 2016:44). As goes the economical revelation of Adam Smith's "The Wealth of Nations" (1776), the division of labor is at the root of how nations acquire wealth. Yet when a group of people are chronically underpaid, they tend to rely on credit to cover their basic necessities (Strike Debt 2012:25). Poverty then becomes a catch-22 in relation to credit. For example, the Federal Reserve's report notes that 'blacks appear to pay somewhat higher interest rates on auto and installment loans than do non-Hispanic whites" (2007:S-5) as a result of bad credit. Yet, for the individuals I encountered in my fieldwork, bad credit was an outcome of poverty and a result of one's inability to pay their bills due to low wage employment. Thus, people of color are not wholly responsible for their financial woes. Poor financial performance and bad credit are merely a symptom of institutional racism (Smith 1995), a critical factor left out of the Federal Reserve's report.

I started my fieldwork during a time of record-breaking poverty in the Bay Area. This reality has only increased in size and severity. The income gap was quoted by regional researchers as being more than $250,000 (Silicon Valley Institute for Regional Studies, 2015:4), with an average cost of living in the Bay set at $84,133 for a family of four (Schwartz 2013) as calculated by the Economic Policy Institute's budget estimator. Strike Debt, Operation Hope, and Debtors Anonymous served as points of entry into examining the ideologies of debt in America. Despite their differences in approach and political leanings, each offers a unique insight into the lived realities of being in debt. While individual empowerment is a concept that was a common goal among all three of my field sites, it was approached in different ways with distinct motives and divergent ideological realities; from adopting conformist activities (OH) to resistance and direct action (SD). In order to better understand these realities, it is important to provide a comprehensive overview of debt's role in society and, towards that end, the need to deconstruct contemporary banking policy.

Chapter 3

Deconstructing Banking: What does it all mean?

It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.

-Henry Ford

A bank is an institution whose presence is taken as a natural given within modern society (Boyd, Kwak and Smith 2005:977). It is now a social axiom to assume that one's money belongs in a bank. After all, where else could it be kept safe? Banks are simply part of our social infrastructure. Yet, I'd like to reframe its presence from an angle that extends beyond our acceptance of it as a self-evident necessity. We often forget that a bank operates using *our* money and makes money off of *our* labor (Strike Debt 2012:10). It is, in basic terms, an institution that creates capital off of the pooled wealth of the commons, or the cumulative body of the people. A bank uses collective money, yours and mine, to issue loans which generate profit for the bank; all while charging the account holder monthly fees plus extra charges for buying checks, overdraft penalties, minimum balance deductions, ATM withdrawals fees, and foreign transaction charges. Thus, the bank acts as a middleman and secures exponential profit off of the investment of the collective, but also at its expense (Strike Debt 2012:10).

As George Bailey once said in the film "It's a Wonderful Life" (1946) in an attempt to defend his 'Building and Loan' bank against an impending bank run put in motion by corporate scrooge Henry Potter; ***"You're thinking of this place all wrong. As if I had the money back in a safe. The money's not here. Your money's in Joe's house...right next to yours. And in the Kennedy house, and Mrs. Macklin's house, and a hundred others. Why, you're lending them the money to build, and then, they're going to pay it back to you as best they can."*** These words were enough to remind the community that a bank is simply a social intermediary. Yet, historian John Sbardellati asserts that this particular scene was flagged by the FBI under the Hoover administration because it "deliberately maligned the upper class" and "represented a rather obvious attempt to discredit bankers" (Sbardellati 2012:101). Although the film was considered communist propaganda, its candor regarding the might of the banking industry and the role of the collective in its profiteering was deeply threatening to the preservation of the status quo, the existing conditions. The 'ins and outs' of contemporary economic processes still remain too labyrinthine for most Americans to understand. If banking practices were demystified for the general public, people would soon learn that they actually pay quite a lot into their bank and yield very little in return.

In 1997, the former President of National Bank Edward Mrkvicka wrote an expository book entitled "Your Bank is Ripping You Off". It provided a blueprint of the collusion used to drain money from account holders; what Mrkvicka calls legal robbery. Among his chapters are explanations of price fixing in lending rates, non-restitutional fees, and the fact that the American government has a big incentive in maintaining that people are none the wiser about where their money goes while at the same time encourages citizens to take out debt even if they cannot afford it. The most telling information in his book, however, is his admission of how racial discrimination is a common practice within the banking industry. He speaks with over thirty years' experience as a "big banker".

> "***Financial discrimination can be the worst discrimination of all, for its ramifications are endless. Often, the discrimination of one bank can affect the relationship [one] has with another bank. If discrimination becomes a matter affecting your credit report, it can destroy a financial lifetime. [Yet] discrimination by financial institutions and others that can extend credit is easy to understand. Loan officers are only human, and as such are subject to imperfections and subjectivity that can adversely affect others. Most simply fall prey to their prejudices and pass them on to the applicant by turning down the loan out of hand. Credit denial will never reflect discrimination. The credit denial form lists many reasons that can be checked off to explain why [they] were denied. All the officer needs to do is find one that remotely fits the circumstances. No federal agency is ever going to pursue the matter personally with [the lending officer]. The wording of the Equal Credit Opportunity Act virtually assures that… all other factors being equal, black and Hispanic mortgage applications are roughly 60% more likely to be denied a loan than whites. (Mrkvicka 1997:17-18)"***

Provided that banks are essentially a business that seeks to generate mass capital, both the act of issuing or denying credit is political. To that end, the prevalence of high-interest rates among low-income people who take out loans they cannot afford out of desperation, and the denial of a loan that could save a family house or business is bolstered by discriminatory lending practices. In this manner, debt is a phenomenon which we are all intrinsically tied to. Even if we are not burdened by racial signifiers or bad credit, the underlying fact that an individual's future relies on the discretion of a loan officer who can circumvent protective measures is an ethical dilemma that affects us all.

> ***"Everyone is affected by debt, from people taking out payday loans at 400% interest to cover basic living costs, to recent graduates paying hundreds of dollars in interest on their students loans every month, to working families bankrupted by medical bills, to elders living in 'underwater' homes, to the teachers and firefighters forced to take pay cuts because their cities are broke, to people in the global South suffering due to their countries being pushed into austerity and poverty by structural adjustment programs. Everyone seems to owe something, and most of us are in so deep it'll be years before we have any chance of getting out—if we have any chance at all. But few of us are asking, 'Who do we all owe this money to, anyway? and 'Where did they get the money they lent? To Whom are We Indebted?'(Strike Debt 2012:1)***

The question to who are we indebted is one that few can answer. When I asked my many informants who do they owe money to, they all generally replied that they owed the bank. Yet, the banks money is the money of the collective, the cumulative wealth of the people. Most individuals believe they were hurting society by owing money. The logic being that the bank took a risk to help them and they will ruin it along with their credit by not paying back, which they believe will disrupt the bank's ability to redistribute loans to other borrowers who need them.

While personal bank accounts accrue interest, this interest is a minuscule amount compared to the profit earned by the bank from loans and the deposits of ordinary people (Graeber 2011:365). The bank makes a profit in numerous ways, with one being the acquisition of capital through the issuance of loans and mortgages. Simply explained by prominent economist, historian and political scientist Murray N. Rothbard, banks have the ability to write into existence the amount loaned and digitally forward it to the lender's account once a contract has bonded a borrower to repayment (2008:95). Banks are only required to keep a small fraction of their total account holders' deposits, as the rest is lent out with interest. The lent amount eventually ends up back in the bank, as the original borrower surrenders it over to a second depositor, be it a real estate company or an automobile dealership, who then redeposits it back into the bank. This monetary cycle continues over and over through the changing of hands (Rothbard 2008:94-104). This is called fractional-reserve lending and it is monitored and regulated by the Federal Reserve (Graeber 2011:365).

It is important to note the history of the Federal Reserve, as its creation is an outcome of relevant intersections of race, class and gender in American history. As Rothbard outlined in the influential book "A Case Against the Fed", the Federal Reserve was started by a group of seven elites, which included a senator, an assistant secretary of the treasury, and powerful financiers, during a weekend vacation at the Jekyll Island Country Club in Georgia (1994:116) - a site which had once served as a receiving port for incoming slaves for almost one-hundred years (Bagwell 2015). It was here in this former plantation headquarters that the wealthy few crafted the parameters and legislation of what still stands today as America's system of banking, credit and monetary policy (Rothbard 1994: 114-116). Although this system has all the trapping of a de facto State entity, the Fed is actually made up of private banks owned by individuals and maintains its inclusivity as a small circle of a select few wealthy elites (Graeber 2011:364). If the Fed is not a state entity, why must the director be nominated by the President and approved by Congress? Former bank CEO Mrkvicka explains.

> ***"In 1913, Congress passed the Federal Reserve Act, which in violation of Article I, Section 8, Clause 5 of the Constitution, gave the power to regulate money to a handful of unelected private bankers. Our Founding Fathers knew this basic truth: Those that control a nation's money control the nation. That's why they originally empowered Congress itself with the responsibility to regulate money- as, through the election process, the Constitution gave ultimate authority for our currency where it was intended- to voters, the people. Nevertheless, after extensive lobbying by some of the most powerful and wealthy bankers of the day, the passage of the Federal Reserve Act handed our economic future to an unsupervised private corporation called the Federal Reserve" (1997:7).***

This cadre put in motion the modern system of fractional-reserve lending as a measure to create money ex-nihilo. Moreover, while we normally think of people as being indebted to the bank, it is, in fact, the bank who is indebted to the people, since funds deposited into an account are automatically classified as a liability. One's account balance is by nature a debenture, or a certificate of debt, because the bank lends out the lion's share of account holders' deposits (Graeber 2011:46). Laws have been put in place to protect the bank on both ends. That is, banks are given the authority to reclaim any balance owed from lenders through collections, but it also carries stipulations that it will only return up to $250,000 only *if* funds are available (Grossman 2001:144). Limitations on withdrawals have been enacted during times of economic crisis, like the Argentine economic collapse of 1998 (Tran 2002:20) and the current Greek economic catastrophe, where people have only been allowed to withdraw a regulated amount in a given time frame (Dodd 2014:7). Although many economists have harshly criticized the fractional banking method as a form of embezzlement and fraud, it remains as a legally protected banking measure enacted by an elected nonfederal elite which is able to take a cut off the top of any purchase made by the general public (Huerta de Soto and Stroup 2006:39). Usury, or the practice of lending with interest, also has a long history of criticism (Graeber 2011:211-233), yet has been adapted as a primary fuel of capitalism due to its astronomical profit potential (Westra 2016). Despite ethical concerns, banks' reliance on usury reflects the ideology of our current zeitgeist. "***At a fundamental level of analysis, the so-called evils of usury must be understood as being connected with money being a***

social psychological construct legitimized by the power dynamic a given political economy which may or may not be democratically and consciously legitimized" (Visser and McIntosh 1998:176). Although presently usury is socially legitimized, it was not always that way.

Critics of the moral incongruence of usury have been present throughout history in varying civilizations. The Roman Republic outlawed interest altogether (Graeber 2011: 285). Julius Caesar put a cap of 12 % on interest, which was then brought down to 4-8%. The Holy Qur'an is critical of usury and the prohibition of usury was worked into the Islamic Economic System (Graeber 2011:289). In 1311- Pope Clement V banned usury. Adam Smith strongly supported controlling usury and setting a rate ceiling, although he was not completely opposed to it, and John Maynard Keynes had a similar view (Graeber 2011:24). Yet, the rise of the "Protestant Work Ethic" slowly chipped away at prohibition laws under the notion that money as unearned income from someone else's labor was not immoral under the capitalistic logic that legitimized slavery (Weber 1958). This is expressed through the competitive nature of privatized wealth, which SD critiques.

> ***"Bankers are allowed to make money out of thin air—but only if they lend it to someone. That's the real reason everyone is in debt: it's a shakedown system. The financial establishment colludes with the government to create rules designed to put everyone in debt; then the system extracts it from you. Overseas it operates through financial scams that keep cheap goods flowing into the United States in a way that would never be possible if not for the threat of U.S. military power. Here at home, it means endlessly making up new rules designed to put us all***

> ***in debt, with the entire apparatus of government, police, and prisons providing enforcement and surveillance. Instead of taxing the rich to generate money to build and maintain things like schools and roads, our government actually borrows money from the banks and the public pays the interest on these loans. As we've learned through scandal after scandal, this process is riddled with fraud, rigged from the start to steal money that should be going to social necessities. Financial capitalism is mafia capitalism" (Strike Debt 2012:2).***

The use of "mafia capitalism" is meant as a synonym to the kleptocratic systems that are put in place to siphon money from ordinary people, most notably low-income people of color. The creation of coercive debt is materialized through underpaid labor, city fees, state fines, court costs, and banking fees. State and financial institutions collude in perpetuating coercive debt through a combination of monetary and fiscal policies whereby money is obtained through ticketing protocol. The problem and the offered solution or those who can't afford it is one and the same: credit. Credit cards alone generate an average of $90.1 billion dollars in interest a year (Lesser-Mansfield 2008:32), not counting the plethora of late fees, check printing fees, transfer fees, non-ATM withdrawal fees, overdraft charges, erroneous charges and monthly service fees that get tacked onto an individual's account. It is a billion-dollar industry that many turn to out of desperation. That same need and desperation is what spawns the creation of new money.

In summary, banks can create as much money as people can borrow with the incentive to open as many accounts as possible to further increase their lending potential (Dell'Ariccia and Marquez 2006:2536). Banks rely on the wealth of individual depositors and funnels capital through loans in a process called fractional reserve lending. This banking method remains largely misunderstood by the general public because the bank is generally regarded as a safe holder. Government printed money only amounts to a small amount of all money created since the 1970's when computerized banking deregulated systems of credit (Williams 2004:14). Most money is created from debt; from the circumstances of one signing a promise to pay a bank loan. In essence, banks are a source by which individuals can borrow speculative earnings from their future self under the promise that they will make good on their promise of forthcoming earning potential (Peebles 2010:227).

Chapter 4

Linking Discourses: Race, Class, and Gender

Although credit as part of an economic system dates back 5,000 years, modern credit cards came onto the scene in the 1950's (Klaffke 2003:22). They were initially developed by New York restaurants as meal charge programs which exclusively catered to the Caucasian elite as club card members. Credit was regarded as a compliment to the post-Depression Keynesian economic theory because it promoted spending through the creation of new money. "Credit is the pavement along which production travels" (Keynes 1930:122). While white men enjoyed accessible lines of credit, women and people of color were left out of "the golden years" of lending and homeownership that spanned from after the Great Depression into the early 1970's (Coates 2014). In fact, a woman needed to have a joint account with either her father or husband (Strike Debt 2012:15) until the Equal Credit Opportunity Act of 1974 made female financial autonomy a legally protected right (The Federal Bank of Boston 1993). At the same time, the Federal Housing Administration was systematically denying insurance to black-owned homes or places that came to be recognized as "black neighborhoods" (Bullard 2007:3). These neighborhoods popped up as a result of red lined segregation, where white real estate entrepreneurs took out low-cost loans to buy and flip houses which were sold or rented out under the condition that a missed payment would automatically result in an eviction, therefore coercing renters to forfeit all previous money paid (Bullard 2007:172).

Low credit score made it difficult for people of color to exercise free will in selecting where they wished to live and raise their families. This made them vulnerable prey to slum lords who forced low-income families into unsafe, unhygienic, dangerous and subpar housing quarters- what would later come to be known as racialized "ghetto" neighborhoods (Lieberman and Harris 2013:113). These highly condensed barrios came to symbolize the colloquial rough part of town- the other side of the tracks. Occupants began to be recognized by the dominant population as members of a "Culture of Poverty". Anthropologist Oscar Lewis expounded on this notion with a controversial social theory which proposed that low-income people are mired in a cycle of poverty because it is bolstered by their value system. "The subculture [of the poor] develops mechanisms that tend to perpetuate it, especially because of what happens to the worldview, aspirations, and character of the children who grow up in it" (1969:199). Lewis's work was appropriated by state policy makers in ways that blamed the poor for their own woes and is among a limited collection of anthropological theories that entered social policy. The culture of poverty thesis suggests that the intergenerational reproduction of being poor and staying poor has to do with cultural characteristics, mindsets, and practices- of which "the welfare queen" and "the debt-dodger" are a variant of.

> ***"The people in the culture of poverty have a strong feeling of marginality, of helplessness, of dependency, of not belonging. They are like aliens in their own country, convinced that the existing institutions do not serve their interests and needs. Along with this feeling of powerlessness is a widespread feeling of inferiority, of personal unworthiness. In the United States, the culture of poverty that exists in the Negroes has the additional disadvantage of racial discrimination. People with a culture of poverty have very little sense of history. They are a marginal people who know only their own troubles, their own local conditions, their own neighborhood, their own way of life. Usually, they have neither the knowledge, the vision nor the ideology to see the similarities between their problems and those of others like themselves elsewhere in the world" (Lewis 1998:8)"***

Lewis laid cause as culture and placed accountability on people for things which were much more socio-structural (Wacquant 2009). The theory of culture of poverty asserts a condemnation of low-income people of color as their own worst enemy in their struggle against financial suffering due to their membership in underclass culture. The assumption low-income people maintain low creditworthiness due to the culture of poverty thrives in the minds of dominant society and in the resource manuals of institutions. While Lewis indicates that the impoverished have no sense of history, his theory lacks the historical significance of redlining and other disabling social practices, despite the fact that these factors are a huge piece of the puzzle in understanding why African Americans fare financially worse off than any other group. Moreover, contrary to the findings of the Federal Reserve, the implications of redlining tactics were incredibly racially biased and continue to be a causal element in the financial outcomes of people of color today. In fact, a recent study from the Institute on Assets and Social Policy, a research institute at Brandeis University, has found racial disparity in homeownership to be the single greatest factor contributing to wealth inequality, which translated into a 27% gap in wealth between white and African American households between 1984 and 2009 (Shapiro et al 2013:2). Additionally, racialized neighborhoods often invoke a signaling effect which falls in line with the “Broken Windows theory”. Broken windows theory posits that the environment of urban decay creates an echo chamber for crime, vandalism, and social adversity (Kelling and Coles 1996). People of color who are raised in these environments face significant barriers in achieving opportunities and a sense of safety. They are also at times mired in crime (Krivo and Peterson 1996:620).

In addition to housing discrimination, the chronic dwindling of minority assets due to low wage work strengthened public stereotypes about black neighborhoods and the people that live in them. In fact, middle-income white households enjoy much greater returns on asset gains than high-income blacks (Kaplan 2011:144). According to sociologist Pamela Brown, one of the founding members of Strike Debt, the U.S. has adopted the same standards that the World Bank used to reign in money from third world loans and applied it to its own citizens to create residual income off the labor of its most vulnerable populations, in alignment with reigning neoliberal policy (Brown 2012). Banks then default on overwhelmed lenders on the grounds that by the time a loan defaults, an average of 120% of the principal has already been collected (Strike Debt 2012:32). This opportunistic manner of profiting off of populations when they are most vulnerable is nothing new.

Naomi Klein demonstrates in her book "The Shock Doctrine: The Rise of Disaster Capitalism" (2007), the exploitation of people during times of dilemma or emergency is a lucrative tactic for state sectors, corporations, and government profiteers. She uses as her main examples the way free market policies were undemocratically inserted in New Orleans during Hurricane Katrina, and how infrastructural development by non-bidding war profiteering companies were commissioned during the War in Iraq. While Klein utilizes the critical angle of disaster capitalism in regards to catastrophes generally brought on by nature or war, I borrow the concept as a tool to better understand the ways in which financial desperation makes a person more susceptible to predatory lending practices. Credit is often regarded as a safety net although it can also be a ball and chain. Therefore, banks regard low-income borrowers as engaging in a form of *desperation capital,* that is taking out loans to supplement their underpaid labor while having to guarantee the return of the money lent, plus interest. When they slip under in repayment, the bank can inundate them with late fees and ultimately sell their debt to the second-hand debt market (United States Senate 1991:155). Therefore, the most vulnerable populations are those who work underpaid labor jobs, which explains why bad credit disproportionately affects the black community.

In 2003, the National Association for the Advancement of Colored People (NAACP) joined forces with Demos, a public policy organization, to explore the issue of racialized debt and its effects on the black community of America. Their report entitled "The Challenge of Credit Card Debt for the African American Middle Class" (2003) indicated, "under difficult economic conditions many African American families rely on credit cards to make ends meet or invest in their future—despite paying high interest rates and suffering more negative consequences of debt than other groups- Approximately 42% of African Americans report using their credit cards for basic living expenses like rent, mortgage payments, groceries, utilities, or insurance because they do not have enough money in their checking or savings accounts" (2003:1). The report also added, "Over the 5 years since the [Great Recession] financial crisis, African Americans experienced the greatest economic losses of any group in the country, including the highest unemployment rates and the biggest drops in annual income" (2003:3). Thus, when one cannot meet their fundamental needs, credit becomes a solution to their desperation. As the previously mentioned study by the Institute on Assets and Social Policy concludes, unemployment accounts for another 9% in racial disparities of income between whites and black (2003:3).

Thus, racial discrimination helps to explain why the wealth gap between white and blacks has almost tripled since 1984 (Shapiro et al 2003:1). Ergo, the Federal Reserve's findings that disparities in performance are not due to biased mechanisms in credit scoring are misleading and inaccurate. Furthermore, the onset of bad credit only exacerbates the situation for African Americans and pushes them further into drastic measures.

> ***"It is an uphill battle if you are an African American debtor: in another display of overt racism, you are 20% more likely to have your Chapter 13 cases dismissed by a judge. This discrimination has had a major impact on African American debtors—they often avoid the option of bankruptcy altogether and seek other solutions: hiding, adopting aliases, refusing to pay and/ or relying on highly predatory fringe financial services (Strike Debt 2012: 96)."***

The stereotype of the "debt-dodger" serves a master narrative of personal culpability and maintains the ideology that loan repayment is a moral prerequisite for being a decent, productive citizen. According to a July 22, 2014, transcript of the Congressional-Senates' annual financial debriefing, the word "deadbeat" does formally exist within the vernacular of financial jargon. However, it is a term used by banks in reference to people who pay their credit card purchases off every month, rendering interest fees inapplicable (2014:17136). Banks profit most from loans and credit issued to those on the lower echelon of bootstrap capitalism. "***According to bootstrap ideology, inequality exists because people have unequal levels of drive and ability. Individuals of superior drive and ability are believed to rise above the crowd to become very successful, others maintain respectable positions in the middle class, and the under-motivated and the undertalented fall to (or remain at) the bottom levels***" (Brezina 1996:221). Institutional racism is masked by the reigning belief that individual motivation is the sole influential factor in a persons' future. Therefore, while dominant bootstrap ideologies place poor, indebted individuals in a lower caste due to the notion that they lack creditworthiness and self-motivating productivity, the bank makes lucrative gains from low-income population's inability to pay. Apart from just banks, an entire industry of financial surveillance monitoring companies profit as well.

> ***"The credit score is an essential piece of economic surveillance, but it's not the only one. There are other ways of watching us and keeping us in check. Everyone has a credit score; many people also have a checking account. Just as a series of private corporations monitors your borrowing activity in the economy, a different group of private corporations monitors your checking account. And just as the credit score companies make a profit from calculating your score, consumer reporting agencies monitoring checking accounts make a killing when you overdraft or miss a payment (Strike Debt 2012:8)."***

Essentially, the role of credit in modern society has necessitated the development of institutions and corporations which are now integral to our social reality. After all, a modern citizen cannot exist without money. Money is needed for virtually every aspect of life. Money both limits and expands people's possibilities. Yet, money is not distributed evenly and tends to become concentrated in specific sectors of society, specifically those we have come to think of as privileged. Members of society that are underprivileged tend to also struggle with having sufficient money to make ends meet.

Banks even profit off state welfare programs that help the poor meet basic needs. A 2012 research report released by the nonprofit research organization 'Government Accountability Institute' revealed that J.P Morgan Chase & Co, one of the largest banks in the world, is the main profiteer of government Food Stamp programs- a supplemental service provider that offers emergency aid to the poor (2012:4). The 2002 transition from actual food vouchers to Electronic Benefit Transfer (EBT) cards made the purchase of food similar to the process of buying with a debit card. While the government purported that the use of EBT cards would spare users the shame and social stigma that were once attached to classic food stamps, the EBT cards and prepaid VISAs that are sent to eligible recipients of the Temporary Aid for Needy Families (TANF) program generate $500 million dollars in profit for J.P. Morgan Chase & Co every year (Government Accountability Institute 2012:4).

> ***"The bulk of [J.P. Morgan's] revenue for EBT services come from the total number of persons enrolled for food stamps each month in a state. In contract language, this is known as the Cost Per Case Month (CPCM). Every month [J.P. Morgan] is paid a fee for each individual enrolled in the program... Point of Sale (POS) machines—the machines used to make EBT purchases with SNAP funds and transmit the purchasing information—are a second source of revenue for providers. Federal regulations only allow federally authorized retail establishments to accept EBT cards. States typically rent a POS machine for each authorized retail location and pay a monthly fee to the EBT service provider for use of the machine....A third source of revenue comes from fees charged at ATM machines when an EBT card is used to withdraw TANF-provided cash funds and when making a balance inquiry... Replacement fees for lost cards are a fourth source of revenue... Lastly, there is a fee for customer service calls made by EBT users" (Government Accountability Institute 2012:10-11).***

This example not only helps illustrate how public welfare has become a capitalistic venture for banks but also shares the same ideological catch-22 as credit.

Although many people regard individuals on food stamps as non-contributing citizens, their disadvantage generates a great deal of revenue for the bank. Whereas people often hear statistics about how much the government pays for emergency aid programs, the notion of poverty as a source of capital still remains widely unfamiliar to most Americans. Even if the idea that the poor are disadvantaged seems like common sense, qualitative research on the topic is drastically underutilized when interpreting quantitative data. Simple cut and dry statistics only provide a one-dimensional depiction of a given issue and do not communicate the nuances of lived experiences. As Philosopher Ian Hacking once said "Statistics has helped determine the form of laws about society and the character of social facts. It has engendered concepts and classifications within the human sciences. Moreover, the collection of statistics has created, at the least, a great bureaucratic machinery. It may think of itself as providing only information, but it is itself part of the technology of power in a modern state" (1991:181).

As outlined in Michel Foucault's work "The Government of the Self and Others" (1983), statistics is the political arithmetic of the state. It is concerned with mass trends and the health of the majority, not the particulars. Governmentality is about managing whole populations. This lends itself to the creation of wide-ranging, simplified social facts (Durkheim 1985:95), as evidenced by the Federal Reserve's 2007 finding on the equality of credit scoring. The Fed only took into consideration statistical and quantitative data and not the impacts of larger social forces and individual lived experiences. The standardized citizen, regarded as the average white modern subject, is seen as a benchmark, or a reference point, that all members of society must measure up to. Thus, when people of color are noted through governmental statistics as having low credit scores, they are demarcated as low performers instead of indications of racial bias at work. "Modern racism, according to Foucault, is not merely an irrational prejudice, a form of socio-political discrimination, or an ideological motive in a political doctrine; rather, it is a form of government that is designed to manage a population" (Su Rasmussen 2011:1). That is why racism still prevails despite laws against it. Racism is institutional, structural, and perpetuated through governmentality.

The art of government (or governmentality) is concerned with managing the economy as a political practice. Just like the head of a household manages the family economy, the purview of governmentality includes issues of public health, prosperous financial endeavors, surveillance and control, infrastructure, the distribution of goods and fulfilling public needs. The complex relationship between economics and political practices encompasses the material conditions, habits, customs, thinking, perceptions, and human/natural phenomenon (Su Rasmussen 2011;1). Governmentality is not top down but is multifaceted and employs meditative enforcers such as police, doctors, teachers, and bankers. In a nutshell, governmentality inculcates citizens into governable subjects.

> ***"This word [government] must be allowed the very broad meaning it had in the sixteenth century. 'Government' did not refer only to political***

> ***structures or to the management of states; rather, it designated the way in which the conduct of individuals or of groups might be directed – the government of children, of souls, of communities, of the sick … To govern, in this sense, is to control the possible field of action of others" (Foucault 2002:361).***

We participate by validating systems which are set up to affirm the ideology of the status quo. For example, research regarding the inability to thrive while earning minimum wage rarely sways lawmakers because governmentality functions to serve an elite rule. While American traditions celebrate social progress and venerate groundbreaking Supreme Court rulings, the vast majority of its policies affirms the status quo of the ruling class. Just as Marx notes that the thoughts of the ruling class are the ruling thoughts, the same ideologies which affirm governmentality are dominant beliefs.

For example, while the 1973 Roe v. Wade Supreme Court ruling is lauded as proof of American progressiveness in regards to civil liberties and women's rights, countless women have been imprisoned in the last decade for injury induced miscarriages in which the law hold the mother as negligent on grounds that she operated outside of reasonable precaution when becoming injured (Allon 2014). Governmentality is the socially impersonal socio-historical process behind this legal sleight of hand. Since governmentality is concerned with reproduction and population control, its emphasis on the majority trumps an allowance of limitless individual power, despite dominant ideologies of freedom. While the status quo can change given the era and political climate, it all operates under the purview of governmentality.

Banking is not immune from this shield of protection. In the realm of banking, every regulation comes with a navigable loophole. For example, credit card companies are generally located in states with a high or no cap on interest rates, which allows banks to charge sky-high interest fees (Weston 2012). Furthermore, even if a person abides by the stipulations for their loan and pays everything back, the bank has the authority to raise interest rates automatically if the individual paid a personal bill late which was detected on their credit score, or if the bank feels the debt is becoming more than the individual's collective assets (Weston 2012). This tends to be waged against those who pay the minimum payment and mainly affects low-income populations (Greenberg 2014:17). It echoes a state policy to exponentially raise the price of vehicle registrations, tickets, and other affiliated bills as a coercive tactic to get people to pay on time. However, people who cannot afford it when it cost $75 are now expected to pay double in a lesser amount of time. Thus, these policies have a disproportionate impact on the poor. For families who barely make ends meet, a $25 monthly account charge is simply too expensive to sustain. When an account holder overdrafts due to insufficient funds, the bank takes it fees first when new money is deposited. This manner of punishing the under suited is a symptom of capitalist discipline-a topic covered extensively by anthropologist Aihwa Ong.

Ong analyzes the defiant manifestations of demonic possession that are invoked through the bodies of Malay factory workers stuck in the crossfires of the neoliberal industrialization of their homeland.

> ***"Capitalist discipline operates through a variety of control mechanisms in social, political, and work domains both to regulate and legitimate unequal relations which sustain the process of industrial modernization. By 'discipline' I mean the effects of the exercise of power on the subjugated, and the enforced and induced compliance with the political, social, and economic objectives, considered rational and functional for capitalist production. The development of political mechanisms of control, whether in state offices, development projects or factories, necessarily involves changing material relations as well as an altered sense of reality, changing self-knowledge, and cultural justification of the social order"(1987: 4-5).***

Capitalist discipline is what cements low-income people in their jobs. It is what mires ordinary people in accepting the status quo. It is the hand that turns the crank of the social machine of capitalism. Credit scores echo capitalist discipline as a reflection of one's performance within the economy. Since capitalist discipline works to correct unproductive behavior amongst workers and consumers, the notion of equality must always be understood as a concept laid against a backdrop of hierarchy within the system of capitalism. That is, equality within the parameters of hegemony. As socialist scholar Raymond Williams illuminates, the realities of class division are not just implanted and maintained through ideology, but involves a ***" saturation of the whole process of living—not only of political and economic activity, nor only of manifest social activity, but of the whole substance of lived identities and relationships, to such a depth that the***

pressures and limits of what can ultimately be seen as a specific economic, political, and cultural system seem to most of us the pressures and limits of simple experience and common sense" (1977:110). Williams' notion of 'structures of feelings' helps explain why society has come to naturalize the financial punishment of those who cannot pay their bills. Why we collectively accept a $45 banking fee for a $0.50 overdraft. It is regarded as simply the way things are, the way they have always been, the facts of life under capitalism.

This is the main ingredient in the classic formula of the criminalization of poverty (Wacquant 2009). For example, if one cannot pay their vehicle registration in time they can be ticketed, have their license revoked, or have their vehicle impounded. Having a vehicle in certain parts of the United States is generally a prerequisite for a job, which is needed for an income, which is paramount for sustaining one's livelihood. Driving on a suspended license due to tickets can result in an arrest and thus the creation of a criminal record that stands as a further limitation on an individual's future possibilities. As the sociologist Loic Wacquant points out in his seminal book "Punishing the Poor" (2009:10):

> "***The rise of the carceral sector partakes of a broader restructuring of the US bureaucratic field tending to criminalize poverty and its consequences so as to anchor precarious wage work as a new norm of citizenship at the bottom of the class structure while remedying the***

derailing of the traditional mechanisms for maintaining the ethnoracial order."

Those at risk for this quandary are the ones who cannot afford to pay the bill at its original instatement and face consequences that can result in a criminal record simply for not having enough money. The state makes money off of this misfortune through the practice of desperation capitalism using the method of capitalist discipline and levies another potential debt for the citizen that becomes harder and harder to pay. Thus ensuring more and more money for the state- not only through paying the penalty fee but through impound fees, court costs, and the like. As noted in the California Law Clerk's email, even if a traffic case is thrown out and found to be unsubstantiated, the individual subjected to illegal policing must still pay for court costs and a processing fee. If they cannot afford that, they are charged $35 to be put on a payment plan with an additional charge for credit card processing. Circumstantial, unintended debt mires everyone, but it is the individuals who are at the lowest level of the income bracket, that is those who have not amassed enough capital as a protective buffer, that slip through the cracks and amass more and more debt. Circumstantial debt lowers creditworthiness and maximizes the possibility of debilitating financial mishaps, all while perpetuating a vicious cycle. It comes as no coincidence that certain marginalized demographics, such as low-income single mothers of color, tend to have a lot of debt (Edin and Lein 1997:97).

But what is debt, structurally? According to anthropologist David Graeber, money is a yardstick that measures debt.

> ***"A coin is, effectively, an IOU. A gold coin is a promise to pay something else of equivalent value to a gold coin. After all, a gold coin is not actually useful in itself. One only accepts it because one assumes other people will. In this sense, the value of a unit of currency is not the measure of the value of an object, but the measure of one's trust in other human beings" (Graeber 2011:57).***

This is creditworthiness. It is interlinked with ideological and moralistic governmentality in order to keep the status quo intact. It has been historically linked to signifiers of race, class, and gender and these constructions are deeply rooted in contemporary financial policy. It is why more affluent individuals are generally regarded in higher social esteem than their low-income counterparts.

In summation, the history of credit has been deeply saturated in racial biases that have had a lasting effect on individuals of color and their subsequent economic performance. While people of color were excluded from the golden age of lending that took place between the 1940's to the early 1970's, they are now required to perform and be judged alongside those who benefitted from it. The element of race coupled with a capitalistic lending policy that gains from the desperation of others serves as an explanation of why there is a substantial difference between the credit scores of white and black citizens. The use of credit to cover basic necessities is a testament to the financial desperation of low-income people of color. Although policies are put in place that appear to be providing aid to those in need, said policies are also very lucrative ventures for the bank to make further profit off of the poor. Yet, through the use of statistics and social ideology, the underlying mechanics of financial inequality based on racial inequality are misconstrued. Statistics as an appendage of governmentality not only contributes to the creation of social facts but also help the government manage the population and ensure the health of the majority. Unfortunately, low-income people of color are on the margins of the majority and often overlooked. Debt is often placed on their shoulders as opposed to being carelessly undertaken.

Chapter 5

Credit: Who is worthy?

Plain and simple, credit scores mold life prospects (Nelson 2010:40). In a 2015 news article, the founder of the national Credit Karma credit monitoring system Greg Lull opened up about the long term realities of poor credit for low-income individuals. Lull divulged that bad credit costs a consumer about $200,000 in their lifetime (Pell 2015). Good credit, however, was conducive to a lifetime of financial privilege. "What we found is that it just gets bigger and bigger the older you get. A 22-year-old with excellent credit is going to save about $811 over the course of a year. By 30, however, that number goes up to $5,671. By 40, it stands at $6,302, where it peaks. But even by 65, you'll still be saving over $5,000 every year by having excellent credit" (Pell 2015). A person with bad credit can expect much higher insurance premiums, down payments, and deposits. In a nutshell, bad credit costs money both upfront and over time. Poor credit scores are often complemented by a descent into downward mobility (Newman 1999). The system of credit requires people who have been historically burdened with scarcity to pay more- which is the essence of capitalist discipline at work. Consumers are punished for hardships such as expensive medical procedures, lost jobs, or bankrupted business ventures.

Anthropologist Katherine Newman has dedicated her career to exploring issues of poverty and the plight of financial inequality in the U.S. In her groundbreaking work on the unexplored phenomenon of downward mobility, Newman interrogates the ways in which self-worth is integrally embedded in class standing. She examines how the trauma of financial injury comes to be synonymous with notions of personal inferiority in the American meritocracy. The phenomenon of self-adopted internalized capitalist discipline manifests as a form of auto-policing of our own productivity vis-a-vis personal dignity.

> ***"The absence of socially validated pathways for dealing with economic decline has important consequences for the downwardly mobile. They often mourn in isolation and fail to reach any sense of closure in their quest for a new identity. Their disorientation suggests how critical culture is in 'explaining' to individuals the meaning of their fate. To a certain extent, the experience of downward mobility in middle-class America is the same for all of its victims. Catastrophic losses create a common feeling of failure, loss of control, and social disorientation. Most people who experience downward mobility long for the 'golden days' to return; some genuinely believe they will. Those who have sunk far below their original social status simply don't know where they belong in the world. This is the core of what it means to 'fall from grace': to lose your place in the social landscape, to feel that you have no coherent identity, and finally to feel, if not helpless, then at least stymied about how to rectify the situation" (Newman 1988:11).***

Downward mobility, like credit, is damaging because of its relationship with lost capacities and the social stigmas tied to "worthiness". Credit dictates potential, what things you will have, where you will live, and how you present yourself. Lack of credit coupled with downward mobility indicates an absence of future potential, whereby individuals must compensate for a lack of earning potential by putting deposits down on their word. It is Marx's notion of 'fictitious capital' or money as a liability brought into being on the basis of a hypothetical future (1894:595). As previously stated, a decline in credit is usually the result of the loss of employment or an illness, which can be traumatic in itself without the sting of downward mobility. Newman recounts this collapse of self-worth amongst the newly unemployed informants she observed who were slipping down the ladder of financial stability.

> ***"As the months of unemployment slide by, nerves begin to fray. The days seem to grow very long as tension alternates with boredom and loneliness. The silence of the house in punctuated by children leaving for school and returning home at the end of the day, the wife coming in and out on her round of errands. Mail delivery is eagerly waited, even when it brings little return. Many find themselves suffering from sleep disturbances, so they wake early in the morning and by 10:00am, have already accomplished the job hunting tasks for the day... Men accustomed to the bustle of the office, the pressure of deadlines, the feeling of purpose and accomplishment, berate themselves for 'wasting time'. The meaning of time shifts radically. Most debilitating is the fact that the idleness is, paradoxically, pressured...Mortgage payments are due, banks are calling about credit cards, in arrears, saving are slipping away. Anxiety alternates with lethargy, sleep disturbance with slow panic" (Newman 1988:63).***

It is the quintessential exemplar of Karl Marx's theory of alienation, whereby a person become estranged from their organic-self due to society's hyper focus on their value as a manufacturer of their own labor. The potential of the unemployed worker becomes a commodity, which they must market amidst cut-throat competition with other job seekers. Every resume that is not picked up is a blow to their personal merit. The degradation is demoralizing. Many suffer from depression or turn to the informal sector to make money and reclaim their pride.

In my many years working with at-risk youth, I encountered scores of young people suffering the frustration of being surrounded by images of beautiful things, luxurious lifestyles and an idealized youth free of poverty. However, the common sentiment was that these lay beyond their ability or potential ability to have. I recall one particular instance at Operation Hope when a young girl had been caught stealing nail polish. When I approached her to ask why she did it, she looked at me point blank, completely straight-faced with tears welling in her eyes as she tucked her unpolished nails under her sleeve and said "Because I want to have nice things. My mom can't afford them." While many may interpret this as a problem of poverty, it is integrally linked to the biased nature of creditworthiness and classism. The child had observed that she was not worthy to conventionally obtain the specific items that society upheld as beautiful because she was born into a familial economic system of scarcity. While credit is supposed to allow all people a chance at a better life through an investment in their future, it digs an ever deepening hole on those that face structural barriers.

As a 2014 executive report by the Children's Society entitled "The Debt Trap: Exposing the Impact of Problem Debt on Children" illustrates, when families suffer from bad credit, children often feel they are a debt themselves.

> "*Families with children are often trapped in a situation where they have little alternative but to take out credit to pay for necessities; 10% of families said they had taken out credit to pay for food for their children, 18% for clothing and 6% for heating. This is part of a 'debt trap'; with families subsequently finding that keeping up the repayments on credit means their children miss out on the basics*" ***(The Children's Society 2014:5).***

Thus, the realities of credit scoring are not something that children are introduced to once they have reached maturity. They are embedded into our social capitalist environment from day one. Children of color have to work against historical reproductions of inequality, as well as difficulties associated with personal upbringing, class, earning potential, education and social relations. The impact of race, class, and gender on one's credit score is inherently biased due to social structures of privilege that make things easier or harder depending on whether or not a person possesses a perceived privilege. Notions of creditworthiness become social signifiers which are underpinned by financial privilege (Gantman 2005:101), whereby individuals are rewarded or punished according to how readily they are able to pay off their debts. As economic anthropologist and Strike Debt member Hannah Appel mentioned in a speech at the 2014 'Anthropology and Social Change' Conference at the University of San Francisco, credit scores act as numerical demarcations which place individuals in a particular hierarchical social category and are positioned in deeply hegemonic intersections between racism and classism (Appel 2014).

The standardized calculations of credit score were legitimized by the Federal Reserve under the ideology that all citizens are equal and should, therefore, be held to the same standard. It is the inverse of a double standard, such as a rule that is used differently depending on who it is being applied to, and therefore not uniformly administered. Margrit Eichler's 'double standard theory' notes that while we often regard a double standard as being when two similar things are treated differently, it is also when two things that are different are treated the same (Sherif and Eichler 1981). Surely, the ubiquitous struggle to "make ends meet" is not a common narrative of the financially prosperous, and yet, all individuals are evaluated identically by our current financial scores of creditworthiness. For example, finding a good cosigner would be significantly more difficult for an 18-year-old in an impoverished neighborhood than one from an affluent background. Thus, the impoverished youth never truly starts out with a clean slate, but follows the credit history of the company they keep. If credit scores were unbiased, as the Federal Reserve claims they are, young applicants would not need cosigners. They would start out with good to average credit and build from there. The current system, however, depends heavily on demographics, where you live, and how those around you have fared in the financial game (Harvey 2001:320).

This moral trap which interlinks financial shortcomings and one's sense of self-worth is an example of the symbolic violence which is perpetuated by the concept of creditworthiness (Quesada 2015) as well as our uncritical acceptance of the Protestant work ethic and the spirit of capitalism (Weber 1958). The ideological component of our acceptance of banking policies cannot be understated. Since ideology plays such a prominent role, it is a very powerful social force, for it is said to be rooted in inevitable social conflict, not in smooth adaptive functioning (Goldstein 2006). Ideology, as described by Marx, is a structure of misrecognition, where the members of different classes share the same notions of truth, notions that hide the actual antagonistic or exploitative relationships between those classes. Shared viewpoints are expressed as natural or inevitable and have as their function the masking of conflict. For example, when we examine the concept of debt, it becomes clear that the mechanisms that drive repayment and credit are naturalized as logic (Peñaloza and Barnhart 2011:743). After all, we legitimize the concept that individuals must pay back more than what they borrowed. Yet, when deconstructed, this system of logic appears to be quite capricious and unjust given high-interest rates. Under the bootstrap ideology of American capitalism, an emphasis is placed on the responsibility and transgression of the individual (Weber 1958). From the perspective of dominant mainstream American society, to speak about chronic structural treachery is seen as an incitement of class warfare. Thus, energy is spent focusing on the wrongdoing of individuals to create a self-policing society based on capitalist discipline. Ideological constructions, which have very real consequences, are seen as properly logical because they are reflected through the cultural environment (Richardson 2001). The societal readiness to assign moral culpability to individuals instead of a willingness to analyze the illogical and immoral structure of the financial system affirms the very same social facts that were reproduced by the Federal Reserve's report.

According to economist and Strike Debt member Chua Yi, the structure of usury serves the same function of working class wages in a capitalist society. It parallels Marx's observations of how relative wages of factory workers function. Although workers may perceive that they are earning money, in reality, the amount that the capitalists earn out of their labor is much more than what workers are being paid- and rarely enough to live off of without getting into debt (Marx and Engels 1935). In the same sense, credit requires workers to repay their debts with the banks acquiring excessive profit out of it (Graeber 2011: 307-161). They make residual income off of loans, despite the fact that money lent is funneled back to the bank through the changing of hands. Debt acts in the same manner as a certification or degree in the sense that it can qualify or disqualify an individual from any number of endeavors or life paths. Debt is a number, a piece of paper or data entry somewhere that either enables or precludes one from a set of given possibilities, so long as our existence within a capitalist system is maintained through governmentality. This symbolic capital provides a degree of benefits for those whom the systems privileges (Bourdieu 1984), which is heavily dependent on race and class. For those who are barely getting by, debt serves as an iron ceiling that locks people into their current jobs. Thus, people are less likely to take risks with careers or personal endeavors. Possibilities of life are lost. This is not true, however, for the elite classes because debt is merely a means for them to advance their individual interests as capitalists (Malo et al. 2013). They are able to live off of the interest of their money and financial risks do not pose such grave consequences such as the insecurity of basic necessities.

In review, ideology aggrandizes certain behaviors, lifestyles and work ethics as desirable in accordance with capitalist discipline, and depicts anything which is not conducive to the production of wealth as undesirable or criminal. Credit is translated as the strength of one's word, which is seen as the basis of human virtue, over deception or breaching one's promise to repay. The loss of personal self-worth is often married to one's class standing, directly linked to one's credit score, and most damaged when experienced through the phenomenon of downward mobility. The culture of credit is not something that is strictly confined to adulthood, but instead an overarching theme throughout life that is introduced in childhood.

Chapter 6

Case Study on Credit and Criminalization

In June of 2008, Cable News Network (CNN) televised a spotlighted segment on a social issue that had supposedly become increasingly more prevalent amidst the onset of the American financial crisis. The segment titled “Financial abuses of deadbeat parents” (2010) detailed instances of illegal credit accounts being opened up by parents in the name of their minor children. The report framed this new form of fiduciary abuse as a modus operandi of criminal parents who selfishly ruin their children's credit, just as they have done to their own. The first line of the news story reads, “For parents who've wrecked their own credit rating, cashing in on junior's clean financial history is increasingly tempting...” (Ellis 2010).

I personally encountered the same phenomenon at one of my field sites in the San Francisco Bay Area, where I collected ethnographic data on the relationship between debt and inequality. The single mothers I crossed paths with were those labeled as “deadbeat parents” which the report warned about. They found themselves in a difficult situation due to their bad credit, and felt they had no other option but to open an account in their child's name. Alisha, my main informant, will openly admit to succumbing to this.

Ironically, she isn't a deadbeat parent at all. In fact, it would be difficult to find a woman who has sacrificed and struggled more for her children.

She had initially caught my attention at a Strike Debt event as she curiously lingered in the back, reluctant to participate. I approached her and introduced myself. She told me she was just interested in getting some tips on getting out of debt, but was not into all that "political stuff". She jokingly added, "Ain't nobody got time for that!"- a playful expression on the fact that being politically active is a luxury amidst a life of double shifts. She is a single mother who has enduring decades of degrading, low-paying jobs. Unplanned life events interrupted her dreams of an education, but she has never let anything stand in her way of caring for her children.

In her typical informative, but rambling manner of speech, Alisha aired her frustration as I walked her to the BART station.

> ***"It costs money to be poor! And then, if you ain't got whatchu supposed to have by the end of the month, they be sending you all kinds of fees on toppa whatchu already owe. So, it's like, I couldn't afford the damn bill when it cost $78, and now it costs even more. And my kids gotta have lights and electricity so it ain't like I'm over here takin' out a bunch of luxuries, getting my hair and nails done and then not being able to pay the basics. No, it ain't like that. But if I couldn't pay the thing off when it was lower, how am I supposed to pay it off when it reaches $115. They say it's like a penalty, but I'm over here like, 'a penalty for what?' It ain't like I'm just too lazy to walk down to the office and pay it. I don't have the money! When I get it, I'll give you what I owe, but these companies want it now. My kids gotta eat right now. My son's got***

> ***dreams to play football and he's a good kid. He ain't got no trouble or nothin' like that, so how'm I supposed to tell him no. And it just keeps addin' more fees in the meantime to where, once I do get paid, I'm handing a bigger chunk of my money over for the same thing, which leaves less money to pay other bills and then they start goin' up. And my paycheck already isn't enough to live off of."***

Alisha is not alone in this cycle of imposed scarcity. Low-income individuals become acquainted with the American financial system through struggle; as never quite having enough to realize fully what is the social expectation of the American dream (Cullen 2003). The house, the three car garage, summer camp for the kids- it is all just outside of their grasp. Families headed by a single parent with a low credit score face significant barriers not only in becoming upwardly mobile, but in simply meeting basic necessities (Edin and Lein 1997:12). It is especially hard when one physically moves from one residence to another and must re-establish accounts for water, electricity, and gas, in addition to providing new rental deposits that tend to be especially high for compromised family units with bad credit history. These families are referred to as high-risk renters (Edwards 2015). This situation is exacerbated for Alisha due to the high costs of living in the San Francisco Bay Area.

How could things get so bad that a person would resort to damaging their child's credit? Many of us perhaps underestimate the degree of privilege we have acquired through the soft cushioning of strong co-signers and general family support. Alisha's story helps showcase just how easy it is to slip into debt when you've got no money saved.

> ***"I can't really say where it all started. I guess. My family was always poor. But, if we're talking about my own issues, I could say when I was back in high school. I got a Saturday school as a detention, and the rule was if you didn't go to Saturday school it doubled and turned into two Saturday schools that you owed. And then if you didn't go to those it became four. So, you know, for whatever reason I couldn't stay on top of it and it just got to where I owed so many, it seemed stupid to even go at all. And on weekends I had to work. Money was the priority. The workers permit said school had to come first, but my family was struggling. I had started working at fast food place where my brother worked near my house. Things was always tight at my house, I would always hand my checks over to my momma. I couldn't afford no car or nothin' like that 'cuz I never got to keep my money. One of my uncles had this old car that he finally loaned to me. I would give him a part of my check to use the car until it was paid off. Then I started getting scheduled at another location at work so I would have to drive further for the same amount of money-but burning more gas. I did this for about a year or so and got a ticket for leaving the car parked overnight somewhere. The ticket turned out to be like $350 and I had no money left over after paying everything and my gas and stuff, so I just had to put that on the back burner because I didn't have it. You know, outta sight outta mind. Then, I get my registration renewal from DMV, and it was like six hundred and something dollars because I hadn't paid the overdue ticket. They said I had to pay that off in 21 days or it would become like eight hundred something. And if I don't have my registration up to code, how can I drive my car and get to work? I had to start borrowing from people. I swear, that [ticket] set me way far back on my bills, and it's almost like, I have never been caught up since then."***

Through her story, we are able to see how intergenerational poverty, economic hardship, social disadvantage and life circumstances are all causal factors that contribute to financial performance and credit score. If Alisha simply had more money at her disposal, she would be much less likely to have been caught in a cycle of debt. She started out in life in a hole. Every financial misstep in the form of not being able to pay a bill off fully and on time docked her credit score. In addition, owing money creates a domino effect in which one must choose to not pay some bills over others. Her credit got so bad that she eventually found herself in dire financial straits once she had an unexpected family of her own. When going up against social structures and financial institutions that were not for her benefit, she had to take matters into her own hands in order to get relief. She chose to put a utility bill in her minor child's name.

Alisha has worked full time since she was in her mid-teens. The issue is not that she is cadging off the state as popular public perception might cast her. Simple everyday life mishaps put her into this situation. Mishaps that happen to many of us but some are able to rebound from more easily given our class standing or the degree of resources made available to us. She does not want to be thought of as a victim, yet does believe that the economic structure of debt is an abuse.

Alisha has two children. Some might ask themselves why she brought children into the world if she could not afford them. The short amount of time I spent with her made the answer quite clear: her children made her happy. It was the one aspect of her life where she felt proud. She was a good mother. Her kids were everything to her and who is to say that one can only participate in having a family if they are financially stable. She expressed a defeatist attitude she held towards any possibilities of one day achieving financial stability and having a savings. A financial nest egg was something she had never known and gave up on the chance of ever obtaining. One thing she could do was be a good mother. She laments "***I messed my life up, you know. But, hey, I created two children that I know are not going to do the same, so in that way, I was just a 'game over' so that they could win. I'm not going to college. My dreams have dimmed. I've got little dreams now, small comforts. But their dreams are still in front of them. Their dreams are like my dreams now, just without me in them.***"

It has been hard for Alisha to find a stable well-paying job. Most of her income goes to childcare and rent, and she is currently awaiting the outcome of a lawsuit against her children's father for unpaid child support. Her situation serves as a representation of the situations facing many working class poor. On top of the issue of class is the reality of race. Low-income single mothers of color are presented with fewer opportunities because of their social standing and, therefore, must rely on their own creative agency to level the playing field and give themselves a fighting chance (Mahmood 2001: 211). Although creating an illegal account in someone else's name is regarded as identity theft, it is also thought to be especially heinous since it is seen as a mother abusing her children in a betrayal of trust. Yet, Alisha attests to the fact that she broke the law *for* her children.

> ***"There's one bottom line to it: Ain't nobody takin' my kids away. That's why I did it. My babies need to be with me. If I can't provide basic necessities like running water and lights and heat, they can come and take my kids away. And the state ain't raising my kids, I'll tell you that right now. So, you know, I had to do what I had to do to keep them at home where I can keep an eye on them. And when my daughter turns 18, I will tell her "baby, I had to rely on your good name to keep this household running and you can go right to the police, or whoever, and tell them what I did and I'll admit to it. I'll say 'wipe her slate clean' and take whatever blame, Lord Jesus. But at least she will have reached 18 without being in no foster care, and she will be better off 'cuz nobody care about her like her momma do. I will be the one to make sure she did good in school because I'm gonna raise her to learn from my mistakes."***

As Alisha expresses, she went to great lengths in order to spare her children from the same cycle of bad choices she went through. The paradox lies in the reality that Alisha committed what is regarded as an act of bad parenting in order to uphold the standards of good parenting in the context of her difficult financial situation. Accordingly, the stereotype of bad black mothers leads to damaging consequences when it is absorbed in the minds of state agencies and potential employers. People of color bear the burden of paying for the collective actions, both actual and imagined, of all who share their similar ethnicity. That is, when women of color stand in front of a judge, policeman, banker, or prospective employer, they are expected to work harder to disprove social stigmatization and are compartmentalized into two polarized categories: "exception" or "proves the rule" (Loury 2005). The structure of the American banking and credit system supports this socially constructed polarized fallacy through the disproportionate flow of money, which acts as a proxy for social capital that rewards some and not others. For example, black mothers are more susceptible to bad credit arrangements which, as a consequence, expropriates earned money away from their homes and families, thus making it more difficult to maintain a household. If they slip below the standard, they risk invoking the perception of the "ghetto welfare mother" which destroys their career marketability (Hurwitz and Peffley 1997:375).

Historically, the stereotype of the "welfare queen" was used by Ronald Reagan as a scare tactic to justify austerity measures, even though the real statistics on welfare abuse were low (Jacob, Perry and MacGillary 2015:7). He used as his main example a woman named Linda Taylor who was convicted of defrauding state agencies in 1977. What was left out, however, was that Linda was an anomaly in every sense of the word. She is rumored to have been a white woman who presented herself as African American (Kohler-Hausmann 2007:337). What is known is that she committed countless kidnappings, identity thefts, robberies and even murder- and is believed to have been sociopathic (Demby 2013). Yet, despite all the extenuating circumstances, Reagan used this case to evoke an overarching trope of African American women that still haunts them today. Studies show that black mothers face harsher punishments and longer jail time because projected social labels "exacerbates already negative implications" (Ghandnoosh and Lewis 2014).

Alisha's story helps us understand why the Federal Reserve's findings are incredibly one-dimensional, and also serves as a testament to the importance of qualitative data in interrogating social cause and effect. While Alisha is aware of most of the subjugation that she has been victim to through the inner workings of the credit scoring system, she still has internalized guilt even though her motives were strictly circumstantial and, one could argue, unconventionally honorable. Her boisterous confidence is a veil that covers the pain of her shame. It is a shame that is felt by many (Hayes 2000:34).

Chapter 7

Problematic Aid: Perpetuating Victim Blaming

Based on my participant-observation in the field, most of the indebted people I encountered were in their situation because of unintended life events. Simply not making enough money pushes an individual, like my study participant Alisha, into welfare and debt. People in these categories are seen as expendable populations that the American public has generally washed their hands of (Sider 2014:166). However, so much of what led to her financial instabilities was beyond her control. In fact, one of the most prolific forms of debt consists of unpaid medical bills (O'Toole, Arbelaez and Lawrence 2004).

> ***"Contrary to popular misconceptions, debt cannot simply be explained as the consequence of financially irresponsible individuals acquiring luxurious items beyond their means. Instead, it is quite typically the outcome of people and families just trying to survive under capitalism. Forty percent of indebted U.S. households use credit cards to cover basic living costs such as rent, food, and utilities, and nearly half of indebted households have accrued debt due to medical costs. Indeed, we are told to consume to stimulate the economy and are subsequently demonized for accruing debt...People accrued debt not by living large, but mostly by spending money on health costs, transportation, and other basic needs. Many credit card-indebted households making under $10,000 per year spend over 40% of that meager income to pay off debt. Demos and the Center for Responsible Lending have also debunked this myth of irresponsibility, stating, "the underlying reason behind some households having higher levels of credit card debt than other households was the***

> ***occurrence of unforeseen events, such as job loss, medical expenses, or car breakdowns" (Strike Debt 2012:4).***

Difficult life events can happen to any one of us but are a deeper blow to those who have a low income or are struggling with money. If one regards debt and credit score as altered by the social influence of race and class, then a deductive logic follows that individual culpability is misplaced. The United States is in debt $16.394 trillion dollars (usdebtclock.org 2015), however, the blame is directed toward ordinary individuals. Americans are socially inculcated early as children to be good borrowers and to pay back what they owe on the basis of decency and good morals (Petchesky and Alexander 2014:13). However, in the realm of credit, an 'honest' borrower must be one that has control over the unforeseeable future (Strike Debt 2012:4). That is, borrowers are placed with the burden of guaranteeing authority over processes and procedures, decisions and actions, that are completely out of their hands, like getting laid off or becoming ill. Despite this unreasonable responsibility, most people have deeply internalized guilt and self-blame, and regard themselves as negligent for not fulfilling their repayments (Hayes 2000:34). In fact, one of Debtors Anonymous' main teachings is acceptance of personal responsibility in the accumulation of debt. This, however, may be interpreted as a form of victim blaming and the induction of guilt. The insistence that individuals are completely responsible for their indebtedness is part of an ideological tendency that appears natural and commonsensical, yet faults the person in debt and not the system that facilitates debt.

An example of this is the story of Dan M. who has been coming to DA meetings for 9 months. He became severely indebted after his business failed, his father became ill, and he went through a long and costly divorce. Despite these unforeseen life events that ultimately drove Dan to bankruptcy, he maintains that this situation is his fault.

> ***"At the end of the day, I was the one who took out the bank loan. I signed the promissory note. I took a risk and mishandled my money. I was too optimistic and let my dreams try and take me too far. That's the problem, you know. I'm a dreamer; an entrepreneur. And isn't that what it's all about. Having that little slice of something for yourself. But, you know, I made some bad decisions with money I took the risk and now I got to own the fact that it took me here."***

Dan is a victim of the American dream grounded on the idea that the world is yours and all one had to do is reach out and grab it. He now blames his financial hardship on the fact that he was not smart enough, had too many ambitions, and didn't foresee the unforeseeable. Group members console him. ***"You're not a bad person, you just made some bad decisions. No one is perfect, only God is."*** Dan nods reluctantly in gratitude with his eyes fixated to the floor as the donation plate passes him. Although DA meetings are open to all faiths, it requires a belief in a higher power in order to be effective. Ironically, all of the main religious doctrines speak out against the practices of economic usury lending as being predatory and dishonest (Graeber 2011:11). Although DA does allow members a safe space to express their discontent, it requires that members "own their piece"- that is, to accept personal responsibility for being in debt.

For members of the DA community who are feeling anxiety about slipping deeper and deeper into debt, DA provides one of the only places they can go to be amongst others who know what it is like to be in constant financial stress. The group urges members to only spend time with other debtors or they could be derailed off their path of enlightenment. They are taught to self-police each other and ask God before every expenditure “do I really ***need*** this?” Moreover, Debtors Anonymous does little to analyze the structural forces at work in our national capitalist system and can only offer a solution to its victims as a spiritual journey through which they can find equilibrium. Just like with Alcoholics Anonymous and Narcotics Anonymous, DA regards the twelve steps as the key to freeing one from their vices.

Although DA is filled with compassionate and well-intended individuals, it picks up where the media left off on blaming the individual for unforeseen circumstances which led to their debt. It perpetuates the same views of moral indiscretion and the idea that if you are in debt, something is wrong with ***you***. In fact, some of the signs the organization list as typical of the common debtor were the following:

- Frequently ‘borrowing’ items such as books, pens, or small amounts of money from friends and others, and failing to return them. (The principle being that not fulfilling the implicit rules of sociality contributes to a lack of trust by others)

- Overworking or under-earning: Working extra hours to earn money to pay creditors; using time inefficiently; taking jobs below one's skill and educational level.

-Difficulty in meeting basic financial or personal obligations, and/or an inordinate sense of accomplishment when such obligations are met.

-Living in chaos and drama around money: Using one credit card to pay another; bouncing checks; always having a financial crisis to contend with.

- Living paycheck to paycheck; taking risks with health and car insurance coverage; An unwillingness to care for and value yourself: Living in self-imposed deprivation" (Debtors Anonymous 2015).

A detailed exploration of these signs indicate the principles of a dominant ideology that if life has become difficult for you, you must have done something wrong. Notice it posits deprivation as self-imposed and condemns low-wage, unskilled labor as the fault of the employee for accepting such work.

My research into 12 step programs found that it had a notably low recovery rate and has faced harsh criticism since its inception. In fact, the efficacy of 12 step programs was the subject of a medical investigation led by Dr. Lance Dodes, which was later published in his book "The Sober Truth". As Dodes contends "[12 step programs] have about a 5-10 percent success rate... Even though the individual people may be kind and compassionate — [The program] is never wrong, according to [itself]. People are told, if you're not doing well then you have to work the program harder, go to more meetings, go to 90 meetings in 90 days. That would make sense if it made a difference to go more, but in fact, that isn't the way it works. To encourage them to return suggests that if they're not doing well it's their fault, it's not the 12 step programs fault " (Dodes and Dodes 2014). This echoes the very narrative that the Federal Reserve depicts about credit score and debt. That is, if you have bad credit, you are in the wrong, not the financial systems.

Interestingly enough, DA members donate money every meeting in order to maintain the cost of the program. On many instances, I witnessed the group accountant announce that the meeting was in debt from collecting less than its required minimum that day. This was usually followed by an awkward moment of glances between the members, guilt and shame written on their face as they uncomfortably waited to see who would give into the pressured silence and dig deeper into their wallet. While I cannot say that the group sessions were not helpful for the members to express whatever pain they were feeling about their financial shortcomings, it became clear to me that Debtors Anonymous was not aimed at challenging the structural link between debt and inequality.

While the United States Congress remains blind to the biases at play regarding financial inequality, a plethora of nonprofits have popped up around the nation to service those in need (Salamon 1994:109). As I found through my experience at DA, I was naive to believe they purposely critiqued the problematic ideology of individual responsibility as a prerequisite for their service. While I had once theorized that these types of community-based interventions, like Debtors Anonymous, could be a solution to overcome structural inequality, instead what I found was a great deal of complicated and ineffective community work despite the overwhelming amount of effort, love, understanding, and compassion that went into them. Specifically, my findings uncovered that aid based community programs are simply a Band-Aid on the larger issue of structural inequality, a sideways affirmation of the status quo. They are, therefore, another variant of governmentality.

That was certainly the case at Operation Hope (OH) in Oakland where I interned for five months. My position included direct community outreach in the form of youth teach-ins. Equipped with a list of lecture objectives provided by the program, I entered into K-12 classrooms and gave a comprehensive financial literacy course. Students learned the importance of budgeting, how a bank account works, what is credit and why having stable finances is important in life. Operation Hope called the lecture series "A Course in Dignity" (Operation Hope 2013).

Operation Hope was founded by John Hope Bryant, a man who purports to be the only African American New York Times best-selling author of economics in history (Bryant 2014). He has been endorsed by Dr. Martin Luther King Jr.'s daughter Dr. Bernice King, and was knighted by German royalty. Bryant created the nonprofit immediately after the 1992 Rodney King riots based on an ideology that the underprivileged "need a hand up, not a handout" (Operation Hope 2015). Bryant regards the work of his brainchild Operation Hope as a call to action to the 'silver rights movement', a campaign that strives to make the free enterprise system work for everyone and not just the elite (Bryant 2014). As my advisor at OH explained to me during my employment interview, "***We accomplish this through our work on the ground as the nonprofit private banker for the working poor, the underserved and struggling middle class. We achieve our mission by being the best-in-class provider of financial literacy empowerment for youth, financial capability for communities, and ultimately, financial dignity for all***." In other words, Operation Hope believes that disadvantaged individuals need to learn to play the game of finances to their advantage and make capitalism work for them.

My five months at OH afforded me a chance to examine exactly the type of ideological views I sought to investigate - views that support capitalistic discipline and personal culpability. The Congressional report and the Debtors Anonymous group, believe that it was people that needed to change ***their*** actions, not the system. Like most of the other reigning financial intervention nonprofits, OH focused on budgeting and offered things like investment classes and youth entrepreneurship programs. While OH does promote financial literacy and teaches youth about the hidden costs related to credit card and banking fees, it does so under the belief that capitalism is fundamentally flawless and can potentially work for everyone (Bryant 2014: 3). This belief means that the only thing hindering low-income individuals from "winning" is a lack of understanding of how the system works. As my boss outlined for me, "competition is the driving force of the economy. Competition is a good thing. That is why we are here to teach people how to be competitors, how to compete and how to win". Underlying the mission to spread financial literacy was also the goal to produce knowledgeable consumers for the capitalist market economy.

However, the goal to help low-income folks "join the playing field" disregards how people got into dire straits in the first place. Although the organization markets itself as an entity with compassionate motives, it serves an ideology that perpetuates inequality among socioeconomic classes. Amidst my training module about competition and making winners of our demographic, I could not help but ask the uncomfortable question: If we talk about "winners", there must be losers, correct? If competition is the fuel of growth, it must be at the expense of someone else, no? Are those who don't 'make something of themselves' losers? Are the children I will lecture that don't eventually 'amount to something' (using the language of the interaction) destined to be 'losers'? To this string of questioning, the manager resorted back to the notion of personal culpability. "Well," he responded calmly while calculating a response. "I'm not trying to call people losers, of course. What our job is to provide the tools. If people want to utilize those tools or not is up to them." OH regards anyone who does not achieve upward mobility to be disadvantaged by their own failed sense of ability. John Hope Bryant believes that anyone can succeed through capitalism if they apply and motivate themselves to do so.

Operation Hope is a complete embodiment of the Protestant Work ethic which thoroughly embraces a Calvinist rationale (Zafirovski 2009:129). It has affirmed the pursuit of wealth without religious justification per se, but with a rationalist acceptance of a holy pursuit of wealth as a good in itself, whereby the failure to accumulate is seen as a personal and moral failing (Weber 1958). Money becomes a measure of self-worth because it is viewed as an outcome of one's work ethic.

I was trained by OH to teach low-income children in at-risk neighborhoods that financial prosperity was a characteristic of dignity. That is, in order to live a dignified life, one must maintain a comfortable financial situation and have good credit. While OH boasted that anyone could overcome the system with the right tactic, some of the voices of Debtors Anonymous did not reflect simply a financial hurdle in the equation of economic inequality. Below is an excerpt from one particular story I noted amidst a Debtors Anonymous meeting which showcases the added social factors that are not eradicated by entering into the business field.

> ***"I want to talk about, just...kinda, my worth. Not my worth as a person but as a professional. Also, jealousies. Well, not really jealousies but seeing what others have, or rather comparisons. This all stems from a luncheon I had last week. It was a professional's luncheon and I was seated with a woman who actually does the same work that I do. And, at***

first I was really glad, pleasantly surprised to kind of make that connection. My first thought was networking and just kinda feeling her out, what's working for her and what's not and maybe I can learn from that. She works the South Bay area around Santa Cruz so it's like we're in competition. And she actually shared with me her fee and that's what really took me for a loop- it was almost double mine. And the conversation immediately changed in dynamic. She gave me this condescending pat like "don't worry, you'll get there", and then turned away to focus on someone else. And all of a sudden, I wasn't in her league. I suddenly didn't belong there with the big boys… and I wanted to be. That's what I meant about the jealousies, like… wanting that confidence that they have and that ownership of themselves. That woman knew how to sell herself, but on her card I saw it said something to the effect of "serving the community for 5 years" and I was like, that's not even that much longer than how long I've been working. And so, it suddenly became all about my worth. Like why, why do I set my worth, the worth of my time so low. Why don't I fit in with others who share my profession? I set my own fees, I set my own worth, nobody else sets those, I do, and yet, I could absolutely be charging what this woman charges, making double but I've hindered myself because deep inside I don't think I deserve, errr not deserve, but I don't think I'm worth it. Like if people saw that fee, they would look at me and think "You're not worth this!" Or, that I would be embarrassed asking for that much like people would laugh in my face. And, I think a lot of it has to do with my identity. My race and just my generally appearance as a transgendered man. I'm still paying my student loans, you know. I have the credentials. They were expensive. And now, I'm out in the job market and I'm too belittled to ask for a competitive fee. So, I gotta work on that. And, you know, it causes a lot of anger. I feel like I get pushed around, I lower and lower my fees and then I'm struggling with my own finances, but I can't really be mad at my clients because, like I said, I set my own fees. I cheat myself. I learned how to treat myself because of how society treated me. And it's not like I'm wanting a house in the Hamptons, just something reasonable. Just, my worth.. what my time and my services are worth. So, I allow myself to be chronically underpaid because I've learned that's what I deserve."

This testimony highlights an aspect of a person's financial struggle that was not overcome simply by getting a good job or having the tools of finance laid before you. There is an added element of racism and an internalized low self-worth that do not go away when one achieves a business degree. Organizations that simply focus on the class aspect of upward mobility fundamentally misinterpret the nature of inequality and its intersectionality with race (Newman 1988). Economic prosperity is multifaceted and is constituted by differing understandings of privilege whereby navigating the political economic system comes with more ease the more social capital one has (Bourdieu 1984). Heterosexual Euro-Americans do not face as many barriers to opportunity than those who do not identify as such (Ausdale and Daniels 1998). Thus, the issue is not merely a matter of education or cultural capital.

This is the exact point that Strike Debt strives to teach. The grass roots organization rejects the notion that individuals are to blame for their financial hardships. In fact, SD calls debt counseling groups a "Band-Aid on an oozing open wound that is the financial inequality in America" (Appel 2014). Armed with a bullhorn, a senior member of SD yells to a stretch of newly foreclosed apartment buildings. "Your struggles are a symptom of a totally screwed economy, a symptom of a bigger problem that is NOT your fault!" Onlookers watch and listen passively as Strike Debt marches through the streets to spread awareness about their cause. A cause that seeks to remind American society that debtors are human beings first and foremost, and are up against a structural goliath that no single force can dismantle. SD is generally met with disregard as they hand out informational fliers about debt services to the community. The bustling 5:00pm street corners of Oakland are home to the socially downtrodden and is peppered with individuals frantically running to catch buses that will whisk them away to their night jobs. For many in the grips of working class life, SD is seen as a wishful thinking organization. Passerbyers sometimes curse at them to take their liberal politics back to Berkeley. In response, SD members resort to lines from their manifesto. "We're on your side, you just don't know it yet." To Strike Debt, this social non-acceptance is proof of how pervasive the logic of personal culpability is.

> **"*Even among people drowning in debt, typical conversations around the subject are framed in terms of personal responsibility: the debtors have no one to blame but themselves for getting into this situation, and moreover, to not pay one's debts is an act of blasphemy, shame, and dishonor. To default is to expose one's callous disregard for all that is decent. Today, morality is bound to debt—the two are inextricably linked. When we dispose of all the jargon attached to credit and debt, we can see that at its core, a loan is essentially a bet on whether or not that person—the debtor—will make good on their word. It is a risk for the borrower, and that risk is higher or lower depending on that person's status in society (defined only in the most narrow economic terms)*" (Strike Debt 2012:7).**

SD employs a multidisciplinary analysis of debt and deploys different ways of understanding the way the system works, how it affects society, and provide a historical overview of the capitalist rationale of money through an intersectional lens (Crenshaw

1989). SD is composed of economists, sociologists, anthropologists, historians, accountants, mathematicians, ethnic studies specialists, students, and professors, academics, and community members. What immediately set SD apart from the other organizations I had vetted was the auto-critique that was ever present in the meetings and presentations, as well as their literature. The constant cycle of re-evaluation and debate of ideas related to being embedded in a capitalist economic system made SD feel like a genuine social movement that interrogates the realities of debt. It deconstructs all of the -isms surrounding banking and discusses the financial and social outcomes of race and class. I expressed this admiration to another member I spoke casually with before the start of the meeting. “Yeah” she responded, “there’s no gimmick. We’re just trying to untangle this giant mess that we’re all still trying to understand. We’re doing a good job and keeping on our toes. Plus, you should never be part of a movement that you can’t critique.”

Echoed in my mind was the dogma of my previous investigations: DA is always right despite a member's negative outcomes and OH is only responsible for supplying tools to help a select few make the collapsed system work for them. Strike Debt broke the cycle of blame by posing the question of why we continue to try to level the micro playing field within a system of macro inequalities.

Since the group's inception, it has employed interdisciplinary critical tools to explore and interrogate the ties that bind debt and inequality. Their findings mirrored many of the same conclusions I had made during my fieldwork with low-income mothers utilizing survival tactics to get by. The concept of debt and banking in America is synonymous with unethical practice. This post-racial myth is held in place by an ingrained ideology and through social facts propagated by such authoritative institutions as the Federal Reserve (Kaplan 2011:199-215). Yet, as Strike Debt demonstrates through historical genealogies, grand scale accounting, and personal narratives, most of the liability is undertaken on the part of the individual applying for a loan.

While the old adage boasts that the best safety net is money, those taking out loans are requesting funds due to lack of other resources. They take out loans without a safety net and must gamble that they will have turned the money lent into more money once the loan comes into repayment. The average person must venture that the money lent was put into a good investment to yield exponential income, such as a college degree or business endeavor. Debts are issued to infuse a person's bank account so they act as good capitalists and duplicate their wealth. If life does not follow this path for the lender, they are punished and put at personal fault, even though the market, by design, is competitive and produces exponentially more financial casualties than benefactors. A lost job, a death in the family, an illness, or any number of unanticipated life events can change the game for people. Ironically, many of these unfortunate life events are tied to sporadic fluctuations of the market itself, such as pension cuts and layoffs.

> ***"A debt represents the willingness and ability of one to keep their promise. But a person's actual ability to repay is often out of their hands. Frequently it depends on powers beyond their control. Debt further distorts our basic perceptions of ourselves and others; not only is a person's word on the line, but also their value as a human being. In a way, we invest the value we place on ourselves into that credit arrangement and into our relationship with debt. We measure how and who we are as a human being and then bet on our trustworthiness, our character. The subprime mortgage crisis is a particularly egregious example of moralistic victim-blaming. Subprime mortgages were concentrated in areas with higher racial segregation and targeted people of color, yet some people blamed the victims of this financial disaster, often with racialized language, proclaiming that, "those people shouldn't have borrowed so much." Arguments such as these, however, ignore the whole history of the exclusion of people of color from mainstream financial opportunities that could have led to homeownership. In addition, when many people of color finally got access to credit through legislative reforms, the lending was often predatory in nature. The effects of the subprime mortgage crisis and the subsequent credit crisis resulted in the further degradation of debtors' social status" (Strike Debt 2012:17).***

Strike Debt was the only organization that could actually quantify the amount of debt it saved people through collective action. The Rolling Jubilee initiative resuscitated the lives of those who had slipped under financial waters and were drowning in crushing debt. Hypothetically, a person who had been enduring the constant stress of debt collection calls and the impending threat of repossession woke up one morning with their debt absolutely absolved. SD acts as the Robin Hood of the poor. Through purchasing debt off the second-hand debt market, SD has exonerated $31,982,455.76 worth of anonymous personal debt by raising $700,000 in donations and grassroots organizing (Rolling Jubilee 2015). Calling itself "A bailout for the people by the people", Strike Debt purchases debt for pennies on the dollar and liberates random people of their defaulted loans, putting them the back on their feet again.

Despite the fact that Strike Debt has been lauded by activist groups as a powerhouse in the debt resistance movement, it is not without shortcomings. SD suffers from the same drawbacks that most grassroots social change movements struggle with: the heavy burden of going up against behemoth capitalist institutions with limited media coverage, small systems of support, and limited financial and infrastructural means- all while swimming against a strong current of dominant ideology that naturalizes the very injustices they seek to expose. In fact, in order to turn the system on its head, it would require a full-blown cultural revolution, which many fear and few are ready to support. Strike Debt became not only a site of study for me as an inquisitor into financial inequality, but also taught me an important lesson as an anthropologist. Having an idea that can change the world is the easy part; enacting it is another story. Moreover, getting people to pay attention and care. With that being said, Strike Debt is maintaining its progress and continues to ease the burdens of debt, while encouraging a compassionate renegotiation of public values regarding money and human worth. It has provided a contemporary precedence for debt resistance and represents those who are too overwhelmed to piece their lives together again. The prevailing feeling of being overwhelmed is an indication of how debt as a source of psychological anguish, a topic I will cover in the following chapter.

Chapter 8

The Bias of Stress: Psychological Factors of Debt

As my thesis explores, mainstream American ideology purports that if people find life difficult because of financial hardship, they must work harder to overcome it. There are innumerable sayings that convey this idea: "Handouts are shameful", "the West was not won on charity" and "we make our own beds". These conventional adages frame capitalist ideology which maintains its power through socially constructed notions of common sense.

> ***"The analytical dissolution of the unspoken premise from which common sense draws its authority—that it presents reality neat—is not intended to undermine that authority but to relocate it. If common sense is as much an interpretation of the immediacies of experience...then it is historically constructed and subjected to historically defined standards of judgment... It is, in short, a cultural system, though not usually a very tightly integrated one, and it rests on the same basis that any other such system rests; the conviction by those whose possession it is of its value and validity" (Geertz 1983: 74).***

The assembled logic of common ideological rationality exists without the burden of proof. According to Antonio Gramsci, common sense is innately incoherent and assumptive, and is held in place by ruling class attitudes that service an economic and political hegemony. Opinions about financially unstable populations are captured through a downward gaze and naturalizes the ruling class as rightful and deserving of their privilege (Gramsci and Forgacs 2000:346). These beliefs culminate to macro social views that regard those in poverty as being hindered by their own lack of will, as opposed to being impaired by the chains of hardship.

Princeton behavioral scientist Eldar Shafir explores the phenomenon of social and economic impediments extensively in his book "Scarcity: Why Having Too Little Means So Much" (2013). Sharif documents how the scarcity of money involves the need to make many complex decisions- mental juggling as it were, of what one can go with and without each month (2013:129). Multiply this by several years or even a lifetime, and it becomes extremely mentally fatiguing and taxing to one's capacities to survive, subsist, thrive and flourish (2013: 53). The consequences being that people become short sighted and make economically detrimental decisions. For example, if a person overdrafts their account, they might be more likely to use a high-cost check cashing place since the bank initially takes its share of the money when funds are deposited to an account in the red. Yet, the use of check cashing facilities is usually done out of desperation and further indebts the individual.

A great deal of worry and psychic energy goes into managing scarcity. As a result, low-income people become less judicious in their financial decision making over time largely because of the mental exhaustion and persistent distraction of chronic financial insufficiency (Sharif 2013:174). Financial insufficiency can translate to food insecurity, loss of home utilities like lights, heating and running water, loss of transportation, and the general burden of stress and anxiety. Something simple such as driving to the store for groceries necessitates much more planning and orchestrating if a person is struggling with scarcity. They must check the bus schedules, calculate their budget, juggle the cost of items in accordance with their budget once they are at the store, and lastly remember not to get more than they can carry. Thus, being poor affects performance. Activities like establishing a savings plan or preparing future goals are often too far on the horizon for an individual struggling with more immediate needs of daily life, despite the fact that more affluent individuals might view these tasks as easy to fulfill.

So, why aren't the poor doing more? If people are in debt, why not cut back on spending or find some way to make an extra dollar? Studies of behavioral economics have outlined why it is so difficult to come up from nothing and why bystanders are wrong to assume that the poor ruin their own finances through a lack of caring or overspending.

> ***"Scarcity absorbs the mind: when we lack money, time, food or friends, it consumes us, making it difficult to think of anything else. How are we going to pay the overdue rent? How are we going to meet that deadline? Although our preoccupation with a particular concern may help to elicit a solution, it also comes with a major negative: it deprives us of mental energy for everything else. While managing a pressing problem, we are less likely to exercise self-control in other aspects of our lives (such as***

> ***snapping at partners or giving in to unhealthy snacks). It is not an inherent personal deficiency in motivation, energy or self-control that causes poverty: rather it is the other way around. Continual worry about finances means that, once poor, we are more likely to lose concentration at work, become more forgetful with medication, snap at our children and turn to short-term moneylenders, despite the obvious pitfalls. The result is a vicious circle from which it is hard to escape" (Shook 2013).***

Most people borrow out of desperation but lack the financial literacy to grasp the consequences of their lending. In fact, many academics admitted to me that they don't even understand exactly how their mortgage is calculated. American credit cards operate using compounded interest, that is interest on top of interest, so it becomes extremely convoluted and difficult to understand how much debt you are really getting yourself into when you buy something. Once it sneaks up people, the stress can be extremely enervating.

Veritably, many of my informants at the Debtors Anonymous group expressed fantasies of wanting to "just disappear" or "make it all go away". While drowning in bills, being hounded by creditors and juggling their dwindling finances, people in debt are being bombarded by moral representations that they are bad, they have done something wrong, and it is completely their fault. In fact, a study by the Center for Disease Control and Prevention found that "suicide rates tend to correlate with business cycles, with higher rates observed during times of economic hardship" (Harish 2011).

Debt, depression and suicide have become a destructive triumvirate which makes the future feel hopeless.

Financial management becomes increasingly more difficult when debt overtakes family life. The acquisition of money dictates the quality of life within the private sphere. Despite the fact that one in four Americans believe the poor do not work (Ferdman 2014), the actual statistics show that 74% of those living in poverty work full time low waged jobs (Jacob, Perry and MacGillary 2015:1) (Gould 2015). That means less time to spend at home with family, less personal time, and a poorer quality of life. Since most low-income people of color live in high-risk areas, meaning neighborhoods demarcated by high crime and violence, this exacerbates the probabilities of getting into trouble and robs families of something as basic as spending time together. My Debtors Anonymous informant expanded on this experience during a weekly meeting.

> ***"I really wanted to share today about the breakthrough I had with my son. I have been so stressed the past 2 weeks… the past ten years actually. I keep trying to convince myself that if I just put in more hours or find some loophole that things will start working out, profits will start flowing. Then, all of a sudden it's been a 70 hour work week and I'm physically exhausted and, almost an absent mother. I'm dying of stress and anxiety and making emergency calls to refill my anti-depressants. My son has learned to come home and make his own dinner. And that too, he likes a lot of microwavable things like pizzas and hot pockets- not exactly healthy but it's what he wants and, it's like, I can't expect him to cook a real meal for himself. I feel some judgment, self-judgement. They're cheap foods too. And it's become about doing these kinds of***

> ***things for him, just like, getting him the things he likes. And this comes with an unmanageable amount of guilt since I'm relinquishing all my roles as his mother. Not only am I teaching him to be unhealthy, but I'm not even there to guide him or spend quality time with him. I've become, like, a slave to trying to make money and I suddenly realized that my child is the one that's ultimately paying for it."***

The previously mentioned Children's Society study corroborates the testimony that parental debt makes life particularly hard for children. The investigation found that children with indebted parents are more than twice as likely to be the victim of bullying, possibly due to the emphasis society places on class and popularity. Moreover, 58% of children who were interviewed for the study stated that they worry about their family's financial situation and often lose sleep or have trouble focusing in school because of it. Debt also causes disharmony between family members and can lead to constant arguments or violence within the home. Shame, guilt, and internalized blame were reported as common sentiments felt among parents whose daily routine relied on buying their children fast food instead of providing healthy meals (Pescud and Pettigrew 2012); a vicious cycle born from scarcity that is purported to contribute to obesity in the United States (which quickly spirals into costly medical problems that further pressure families into debt). A shocking nine out of ten families the Children's Society surveyed admitted to cutting back altogether on food, clothing, heating, and air conditioning as a tactic to save money to pay back debt. The presence of debt within the family led to what was described as rapid maturation, whereby children were confronted with adult problems they could do nothing to control. This causes a wide array for psychological, mental, and emotional health problems. Children are robbed of the ability to be carefree and adapt a stressful world view (Quesada 1998). They feel guilty when money is spent on them and can even resort to such behaviors as shoplifting or food hoarding (Huang, Matta Oshima and Kim 2010:381-401). This adds to the psychological burden of the parent because every facet of society reinforces the myth that the situation is all their fault, that they are a failure, and ultimately a bad parent because they are indebted.

My fieldwork put me in the midst of the San Francisco Bay Area's collective grief, anxiety, stress, depression, and familial disintegration, all due to financial deficit. The most prolific form of suffering manifested in the form of psychological, emotional and interpersonal damage as a result of the loss of a safe home due to foreclosure. In the month of July 2008 alone, an astronomical 272,171 homes were foreclosed upon (Starbuck Gerson 2008). When parents cannot guarantee a roof over the head of their family, they run the risk of losing their children through the intervention of social services as a secondary symptom of their debt. This is a nightmare for any parent. The extreme fear of losing their children pushes them into catastrophic thinking patterns in which they are more likely to resort to offenses such as illegal use of their child's credit, as I recounted in Chapter 6.

Debtors generally attest to the fear that they are a hair away from being on the street, given their colossal loss and lack of a safety net. I was a fly on the wall to many foreclosure consultations at Operation Hope in which people came in states of despair scrambling to try to find some way to keep their home, family, and financial integrity intact. In fact, foreclosures are such a prolific problem, with 250,000 families facing the ax every three months, that Operations Hope opened a mortgage crisis hotline for their target clientele (Operation Hope 2012). The following excerpt from an Urban Institute report entitled "The Impacts of Foreclosures on Families and Communities" helps articulate what drastic effects the loss of a home base can bring to a family.

> ***"The disruption, displacement, and economic impacts of foreclosure are substantial but do not exhaust the list of possible effects experienced by families. Repercussions may be felt in many areas, from parenting to self-esteem, as turmoil, fear, and uncertainty rise. For some families, increased personal and family stress feeds marital problems and exacerbates negative behaviors (child abuse, addictions, etc.). Stress may also have a negative effect on health, as do compromised or unsanitary housing conditions. While these effects are in some ways the most difficult to document, they are serious and troubling, with long-term consequences. It can be assumed that most, if not all, people involved in foreclosure have some kind of anxiety and stress. Our interview respondents were generally in agreement that the trauma of losing one's home with all the related confusion, shame, and fear is damaging to the emotional and physical health of adults. We know that stress exacerbates chronic conditions and damages body systems. We also know that stress negatively affects mental well-being……. A dramatic example of the damage to mental health can be seen in suicide by people facing foreclosure (and related financial ruin)." (Kingsley, Smith and Price 2009:11-12).***

Given that debt is rampant among Americans and that suicide is the tenth most common cause of death in the nation (American Foundation for Suicide Prevention 2015), the psychological effects of financial problems as a result of creditworthiness cannot be understated. Bad credit contributes to the burden of poor health in every facet. It can even lead people to do the unthinkable, like in the case of the Balderrama family.

Carlene Balderrama was a 53-year-old mother whose debt slipped into a foreclosure on her family home. Overwhelmed by fear, shame and the impending reality that her family would soon find themselves homeless, Balderrama wrote a suicide note to her family explaining their financial predicament and advised them that her suicide was the only way out of their despair; that they could collect life insurance money from her death and then use that to pay off the debt and save the house (Childs 2008). However, the insurance companies ruled that death by suicide made her family ineligible for policy collection. They never saw a penny of her life insurance and ultimately lost the house (Starbuck Gerson 2008).

Another big concern of debt was the frequency of debtors to gamble, which was an added component that led to suicide (Crewe-Brown, Blaszczynski and Russell 2013:1). Catastrophic thinking and the stress of craving release put many people in a position in which they gambled all or nothing as a last resort to rectifying their deficit. Gambling provides a glimpse of hope for the economically desperate, despite the fact that gamblers rarely win back what they've levied and usually become even more in debt. This reiterates the aforementioned statements that the stress of scarcity robs debtors of strong mental faculties to calmly craft a realistic action plan. Anxiety pushes them to impulsivity- of which gambling is the quintessential form. Yet, when a debtor goes into a casino with high hopes and walks out even more indebted, the frequency of suicide skyrockets (Crewe-Brown, Blaszczynski and Russell 2013:2). In addition, many people are being hunted by debt collectors. According to one popular website that tracks indebtedness, one out of every seven Americans are being pursued by a debt collection agency (rollingjubilee.org 2015), which often resort to threatening or degrading tactics to get people to repay. This pushes people into further anxiety, as they are constantly hounded with calls from agencies that are notorious for unlawful methods of harassment (Mitka 2012:2362).

This culmination of desperation, loss and emotionally spontaneous thinking raised concern among many of the debtors I encountered at my various field sites. One woman admitted to selling her medicine for money, another divulged their addiction to Lotto scratchers which they claimed would "finally end all this" and that they were "so close to hitting that million." While DA tried to deter members from the blind action of taking their own life through emphasizing a relationship with 'the higher power', I often left meetings feeling generally concerned for members mental well-being after hearing some of their statements. While all meetings ended with a ceremonial affirmation that triumph over financial struggles was possible, I often found myself wondering -How? Just hearing their testimonies and trauma caused me second-hand stress. I started to become appalled and scared by the benevolent and promising notion that they would be okay. When I naively started participating in meetings, I would hear people talk about gambling or resorting to illegal behavior and think "Why are they doing that? Why do they think that will help them when it will only make things worse?" Over time, it became very clear to me why this as so prevalent among the indebted.

When one becomes severely indebted, it feels impossible for them to ever be able to come up with the insurmountable balance owed, which increases by the day. They begin to think that only a miracle can emancipate them from their despair and turn to informal means of making money. While the stress alone can drive a person to drug addiction and alcoholism, many people embrace crime as a last resort. In neighborhoods like Oakland, people can observe displays of wealth from the dealing of drugs, theft or other crimes. When mainstream structures fail, the street becomes the great equalizer. Despite the fact that most illegal activity has become a survival tactic driven by need and poverty, in the end, it continues the same narrative of debt. As the LA Times recently showcased in a story that featured the return of America's debtors' prisons, no matter if by living within the confines of the law or choosing a life of crime- all roads lead to debt.

> ***"When people are convicted of crimes, we know that they are sentenced to time in jail or prison, to perform community service, and sometimes to***

> ***undertake drug or alcohol treatment. But they are also routinely sentenced to legal debt. Beyond just fines or restitution, defendants in some jurisdictions are required to pay for costs related to their public defender, DNA collection, jury, court paperwork, room and board in prison, electronic monitoring, probation, even for collection of the debt itself. They are, in essence, charged "pay as you go" fees for their use of the criminal justice system. In California, there's a $50 fee to register for a public defender. But it'll be $30 if you need a payment plan for your misdemeanor fines, and another $300 fine for any failure to pay. Every day in this country people are sent to jail because they aren't able to make sufficient monthly payments toward their legal debt. And there is no evidence that using debt to administer justice is in any way creating a safer society" (Harris 2014).***

The courtroom is also a place where debt and race become inextricably cemented. Low-income people of color have both economic and racial barriers pressing against them. In fact, disparities in the legal system mirror the disparities in credit score findings. African Americans tend to face longer sentencing for comparable crimes than any other racial group (Alexander 2010: 97). In 2005, an ACLU Racial Justice Program wrote a report entitled 'The Sentencing Project' to highlight the problem of unequal treatment and its relationship with race, debt and law by filing a historical lawsuit against the judicial system. The lawsuit cited unfair debt collection practices as a method that leads to the incarceration of people of color (American Civil Liberties Union 2015). In short, the criminalization of poverty and color. The case cites a specific example, the incarceration of a black teenager of color who was jailed for not paying a traffic ticket in time. The teen is now starting out in life with a criminal record simply due to insufficient funds to pay a ticket. This is just a drop in the bucket of the prolific nature of unfair debt collection practices linked to race and class, as I have outlined in this thesis.

In summary, criminal record and credit score are undeniable adjudicators in getting a red or green light for upward mobility in life (Newman 1999). The psychological pain of debt promotes downward mobility and creates a loop in which recidivism is all too common. Although a person's mental, emotional and physical well-being are thought to be at their own predisposition, these aspects of health are highly influenced by the pressures of debt. The embodiment of low credibility mobilizes people to act in self-destructive ways. Mental health and emotional wellness is, again, another issue which adversely affects the black community. Racism corrodes the health of its victims, whereby expressions of financial disadvantage are direct outcomes of prejudice. Thus, the relationship between credit and race are compounded by an overflow of issues that are intricately entangled but portrayed as separate and unrelated.

Chapter 9

Racial Privilege: The House Always Wins

As discussed in this research, loans involve the act of citizens literally buying dollars off the bank with interest tax and attached fees. Upon receiving the funds, the borrower must then maneuver in a world where using money is subject to tax. For exploited populations, money holds both a cost to have and costs for its use. This is an important component which has led to the widening economic gap. In fact, the decline of the lower class has coincided with the rise of the richest few. A 2014 report from Morgan Stanley's economists explains.

> ***"As income inequality grew, the average American household took on more and more debt to supplement the lack of income growth, all so that Middle America could stay, well, in the middle. By late 2007, debt as a share of disposable income peaked at an eye-popping 135%. Outstanding balances on credit cards, for example, increased in perpetuity since 1968...Left with unmanageable debt levels and constricted access to credit, lower income groups have been forced to spend only what's in their pocket. Over the past several decades as growth in income slowed, middle and lower income households increasingly relied on debt to help fuel consumption. The expansion of credit simply delayed the day of reckoning from declining incomes and rising inequality. In particular, Americans became awash in credit card debt, often carrying half a dozen or more cards, giving them upwards of $150,000 in instant credit. As income growth slowed, Americans increasingly turned to credit cards as a stop-gap measure to purchase the consumer goods that their salaries could no longer support alone" (Zentner and Campbell 2014: 2).***

Given that African Americans are more disproportionately affected by underpaid employment, extra fees are more detrimental. It is no secret that financially well off white folks are the winners of this conundrum. Debt and credit scores are intimately part of racialized systems. Debt models that were dictated by the World Bank to poor, colonized primarily exporting countries have now become the global law of the land in developed modern states. Standardized policies of debt and usury have rendered everyday citizens' neocolonial entities (Brown 2012). Choosing to lend to countries in moments of desperation not only insured residual income tenfold that of the principal, but also secured power over their government as crushing interest payments weakened their autonomy (Harvey 2005:28). As a macroeconomic principle of governmentality, the state acts in maximizing funds for biopolitical projects while maintaining control through structures of coercion and the dependence of its citizens. Capitalism requires constant growth amidst cutthroat competition at the expense of those who are not willing, or do not have the funds, to do whatever it takes to get ahead.

Colonial logic, or the logic of biopower (Foucault 1978) merged with a capitalistic economy, continues to exploit those who are deemed a subpar representation of the ideal citizen. Biopower is the state's authority over bodies and employs "numerous and diverse techniques for achieving the subjugations of bodies and the control of populations" (Foucault 1978:140). Biopower is productive as a cultivating tool to mold desirable populations. In economic terms, those who do not make enough money are regarded as insufficient contributors. Exploitation of the 'other' is a fundamental element of both capitalism and colonialism (Fanon 1967). An example of this phenomenon is the concept of race. The adoption of colorblind policy allows the government to disregard issues that explicitly hinder particular groups because the law operates under the notion that all lives are created equal (Alexander 2010:99). This explains how the Federal Reserve could completely misconstrue their data findings that credit score is unbiased despite the fact that clear color lines can be drawn among the demographics of debt and credit scores in the United States. This logic attempts to naturalize bad economic performance as the practice of a given culture, race or group of people instead of understanding the ways in which the overall economic system creates these differences. Their erroneous findings permeate the social sphere and become a social fact (Durkheim 1985:95) that continues to perpetuate racial bias and economic injustice.

The fact that the average white household contains 215% more assets that the average black household (Fay 2015) is a symptom of the efficacy of colorblind policy in created the myth of the post- racial era. When we purport that racism is a thing of the past and that statistics are unbiased, expressions of racism are consequently seen as proof of a natural trait of a racial group instead of discrimination. That is how stereotypes still remain strong even though we are believed to be in a post-racial society (Kaplan 2011:199-215). Thus, legally doing away with overt forms of de jure racism actually strengthens its structural grip (Ernst 2010:32). It supports a rational that says outcomes can't be because of racism because we no longer adhere to falsehoods about racial difference. It is the same line of reasoning that supports the thought that women are no longer victims of sexism because they, by law, cannot be looked over for a job they are qualified for simply because of their gender. As cultural theorist Stuart Hall claims, we begin to observe the subliminal implications of images, signs and symbols at such an early age that we tend not to see them as constructed but instead categorize them as a natural given (1980:128-138).

This phenomenon is twofold in the sense that while we are bombarded with socially constructed depictions that categorize, degrade and "otherize" people of color, society then responds to people of color as if these depictions were true which then actualizes the same inequality it pre-formulated through fashioned stereotypes (Turner and Nilsen 2014:60). Social capital cues people to label and pigeonhole in accordance to socially constructed caricatures. Despite the fact that half of Americans do not have enough saving to last them three months (Fay 2013), we are quick to place blame on others misfortune as indications of personal shortcomings (Scanlon 2008: 122-214). Thus, discrimination is a vehicle through which the cultural paradigm of colonial logic and the American bootstrap ideology merge with the financial exploitation of capitalism. Just as the enslavement of African Americans was integral to the formulation of American wealth (Baptist 2014), the legacy continues through the mechanics of modern capitalism in the form of predatory lending, the high cost of bad credit, and over the roof interest fees. Thus, African Americans still continue to be regarded as expendable populations. In “Crimes Against Humanity in the Land of the Free”, scholar Imani Michelle Scott (2014) expounds on the historical discourse of the black experience.

> ***“There is no group of people living today who have been oppressed at the hands of their own government as intensively and over such a long period as blacks in the United States of America… considered expendable populations. Throughout human history, expendable populations might be characterized as those who en masse suffered targeted oppression, violence, human rights abuses, dehumanization, subjugation and death at the hands of others. (2014:22)”***

The denial of this aspect of history and the way it has compounded up to the present moment is what renders many nonprofit debt organizations ineffective. Although the racial components of debt were seen as irrelevant to Debtors Anonymous and Operation Hope, Strike Debt was a rare breed in the sense that it dedicated itself to an understanding of the intersectionality of race, class and gender and its role and relationship to debt and economic inequality. Although the Federal Reserve posits that the underlying structures which handle the distribution of wealth in America operate blindly with no regard for race or class, my fieldwork findings illustrate how these are actually one of the main culprits holding inequality in place. My research consistently ran into the presence of racialized, class-based debt which undermines the implications of the Federal Reserve regarding the causes of our current economic climate. As previously stated, the Fed's statements are maintained as 'true' through social ideology, however, it is complemented by a gross misunderstanding of racism and how it is expressed socially.

As physician and epidemiologist Camara Phyllis Jones articulates in her allegory of racism as a tale of two seeds in the gardening box of life, racism is pervasive because it takes place on multiple levels and through multiple angles; therefore, many people erroneously observe its outcomes as proof of multiple lines of evidence, instead of constructed. This is fundamentally linked to classism and debt and comes in three predominant forms. The first type is institutionally comprised and can be exemplified in the way spaces and neighborhoods becoming racialized, criminalized and compartmentalized as a class group. Since people of color have been historically confined to less desirable living quarters through unfair lending practices and abuses of credit (what Dr. Jones describes as being rendered the tough rocky soil) because their white counterpart was given priority, over time this view was naturalized by society and, therefore, seemed self-evident that people of color live or belong in bad neighborhoods and predominantly embody a narrative of poverty. Since people of color have endured a difficult struggle and a plethora of barriers, they have not been given the means to reach their full potential because they are swimming against a current of social bias (2000:1213). In turn, they must expend more energy to blossom than those with privilege, and therefore, to uniformly apply the same standard of credit building invokes Eichler's Double Standard Theory (1981:210). As Dr. Jones allegory demonstrates through metaphors of race and class, all the seeds in rich soil need only to take in the sun to bloom because they have all their prerequisites met, while seeds in the struggling planter box must work harder to overcome their tough soil, which problematizes their endeavors.

The link between the history of racial segregation and classism is camouflaged by the narratives, images, and depictions people have naturalized through exposure to social facts (Hall 1980:128). In other words, people think bad neighborhoods are full of black people (or that black people make neighborhoods bad) because it is what they have seen represented. This, in turn, invokes the idea that inequality cannot be a result of racism because the country no longer adheres to laws of segregation. However, a critical intersectional analysis would consider that since people of color have been habitually placed and grown in difficult soil due to the underlying policies of racial segregation, it is now a common but erroneous trope that people of color create bad neighborhoods- a view that disregards hundreds of years of history. This represents the second component of racialized classism, which is personally mediated (Phyllis Jones 2000:1213). For example, an individual from a state agency, such as a bank, might view a person of color from within this racialized neighborhood with a pre-formulated idea of their overall creditworthiness. Their judgment is contaminated by the social facts they have absorbed and they act according to those constructions as if they are self-evident and not socially assembled. The last component of the troika is internalized racism and classism, which is the result of the persistence of social ideology in which people of color and low-income individuals actually begin to see racially biased ideologies as natural as well (Phyllis Jones 2000:1214). As Pierre Bourdieu writes, when an individual uses their position or prestige against someone who has less social or symbolic capital than they have, it is an exemplar of symbolic violence (1986:258). Unconscious structures bring about a subjugation of power from dominant social agents onto those with less, all on the basis of perception. The psychological effects of this power dynamic cannot be understated.

Symbolic violence not only induces mental and emotional damage, but also manifests into actual health disparities for people of color. Racism, classism, and financial debt erodes the overall constitutional strength of the bodies, minds, and spirit of its victims. A person's overall health bears significant weight on their quality of life, and inversely, their quality of life affects their health. Finances and social mobility are integral to this interplay. For example, a redlined "bad" racialized neighborhood considered low class is often characterized as having a high concentration of liquor stores and an attrition of parks and trees (Algert et al 2006:370). Thus, people of color face the barrier of access to healthy foods and must go out of their way in order to obtain what people of other class standings have ready access to. Geographical limitations to healthy lifestyles is a big component of medical debt. This form of institutionalized racism and classism explains why particular low-income groups of color have high obesity rates and have trouble finding appropriate spaces to exercise. Lack of access exacerbates other health problems like hypertension, immobility, high blood pressure diabetes and much more. Racialized neighborhood become food desserts that drive inequalities in health (Walker, Keane and Burke 2010:884).

When the general public accepts unequal statistics, they misinterpret them as proof that stereotypes about specific groups and regard hierarchies as true. For example, upon hearing that people of color have high obesity rates, there is a notion that poor people are lazy and can't help themselves. This further illustrates my point that the Federal Reserve does not only perpetuate biased social facts through its unfounded claims, but also contributes to actual, corporeal damage. Among these inflicted wounds are general degradations of the worth of entire populations that are slighted by the aforementioned conclusions. When these communities are the recipient of prolific victim blaming and observe a plethora of tangible differences between them and people of another race/ethnicity or class standing, they run the risk of naturalizing their struggle as just a reality of life (Carbado 2005: 658). As an outcome of symbolic violence (Bourdieu 1986:258) people of color may come to feel that financial independence is not a realistic goal for them or may give up on attaining it because of all the barriers they face. Racism and stress go hand and hand. Discrimination has been linked to an increased occurrence of stress (Anderson 2012:81), depression (Noh and Kaspar 2003:238), the common cold (Kwate et al. 2003:460), hypertension (Brondolo et al. 2011:529), cardiovascular disease (Lewis et al. 2016:362-368), breast cancer (Taylor et al. 2007:46-54), and premature death (Barnes et al. 2008:1247). The anticipation of racism triggers a stress response that erodes mental and physical health over time (Sawyer et al. 2012:1020-1026). The cortisol response breaks down the body pushes people to seek instant gratification relief, often in the form of alcohol, cigarettes, sex or drug use (Motzer and Hertig 2004:17).

The Federal Reserve's implication that race is not a factor in financial outcomes adds insult to literal injury. It disregards all of the social determinants that influence one's ability to live without the friction of racism. The performance of individuals who have become disadvantaged through social and historical outcomes are measured against the performance of people who are favored by privilege in a universal criterion that is indifferent to particulars. For example, people of color face more mental, emotional and physical barriers than their white counterparts, thus, subpar financial performance is a symptom of the deeper issue of racism (Krieger 1999:352).

Chapter 10

Conclusion

In summary, the body of work linking a multitude of social factors to economic well-being or ill health, as well as the social and economic limitations related to credit and debt, were not taken into account by the Federal Reserve's 2007 congressional report. The indication that, despite racial variance, credit scores are not discriminatory against any particular demographic group is misled due to a selective data bias that paints an unequal picture of causality. Apart from being uninformed on the qualitative research regarding the topic of structural inequality, the study failed to highlight the negative impact that poor credit scores have on individuals who already find themselves in political, social and economic contexts which work against them, despite the mainstream myth of post-racial America (Kaplan 2011:199-215). The social dynamics and structures that shape financial systems are reflected in, and perpetuated by, a biopolitical project of capitalistic bootstrap ideology (Graeber 2011: 367). In other words, when a specific structure put in place to benefit the public fails a specific group of individuals, our dominant ideology chalks it up to the irresponsibility on the part of the individual (Sered and Norton-Hawk 2014). The facade is that an individual is able to exercise complete agency over their finances, when in fact, there is a plethora of interfering factors that are symptoms of social structural formations.

The criminalization of poverty through debt is legitimized under the notion that banks want to minimize risk and secure repayment. However, it is the payee who takes the lion's share of the risk to their detriment. Banks make an astronomical profit off of noncapital whereby money becomes a self-perpetuating power (Graeber 2011: 380). Contemporary banks act as capital creators that enjoy financial growth from the exertion of its participants, both account holders and loan recipients, and through fees and interest. “It is the relentlessness of compound interest in the face of adversity that sets the potential cruelty of usury apart from equity-based return on investment” (Visser and McIntosh 1998:181).

Interest transforms wealth away from those with fewer assets and prevents the establishment of a truly competitive system (Strike Debt 2012:14), which is described under capitalism as a productive and motivating rivalry for profit (Carlin, Haskel and Seabright 2001:84). The notion of competition, however, presupposes equality which cannot exist given the presence of structural racism. However, those at the bottom of the financial wealth pyramid must still adhere to the same standard of credit despite the fact that they have less as a result of the capitalist society they are embedded in. As Michael Warner wrote in “Publics, Counterpublics”, “Our personal capacities, such as credit, turn out on reflection to be expressions of corporate agency” (2002:67). Credit has become an algorithm for short order discrimination.

Despite the fact that we know the poor are not squandering their money and ruining their own credit by not paying their loans, there is still a social perception of the indebted being morally weak who criminally choose to skip out on paying back what they borrowed. We generally use the word 'borrowed' to include a stipulation of paying in kind. However, borrowing in the domain of lending comes to mean giving back exponential more than what was lent.

Furthermore, as previously stated, debt is linked to race through the aforementioned barriers people of color face when they are low income (whereas low-income whites only have the financial element working against them, people of color must also contend with structural racism). It is part of a historical reality for which future possibilities are built upon. "At a fundamental level of analysis, credit must be understood as being connected with money being a social psychological construct legitimized by the power dynamic a given political economy which may or may not be democratically and consciously legitimized" (Visser and McIntosh 1998:177). In other words, the structures of finance have become aligned to an ideology that the debtor is the "bad guy" because the American capitalistic credo values productivity, not deficit (Emigh 2008:195). This not only motivates people to pay their debts but also affirms an ideology that having money is good. This is not problematic because being financially comfortable is bad, it is problematic because the inverse translates into a depiction that not having money is shameful (Hayes 2000:34).

To opt out of the system of credit would be to attack the very basis that American society is founded on. Undermining the system is regarded criminal in order to maintain institutional structures. Yet, this does not limit individuals from exercising their will, even when they find themselves in between a rock and a structural hard place. While parents become an easy target to condemn for "ruining" their children's credit, no examination is ever given to the life situations that depress a person's credit through no fault of their own. This critical angle would also be deeply threatening to the preservation of current financial structures.

Thus, in basic terms, good credit is a luxury that many people of color cannot afford. While low-income families don't get any positive points for paying utilities on time, their credit is docked when they don't pay (DiGangi 2015). Therefore, the aspects of life in which low-income individuals should be able to build good credit, like monthly bills, are not factored in a positive way and creates a double-edged sword. This relationship invokes a cycle in which an individual who is already experiencing financial hardship must now come up with even more money simply because they are regarded as financially unstable, while the financially privileged are afforded lower rates or granted the ability to wave deposits. Although this structure is legitimized as a security measure by providers, it perpetuates structural inequality as well as limits and hinders upward mobility.

This system of statistical ranking is detrimental to those who find themselves in a vicious cycle of financial failure due to a systemic bias that further escalates their economic shortcomings. Moreover, systems of privilege and disadvantage in credit scores are generational and, as previously mentioned, dependent on one's demographic and racial background, per the findings of the Federal Reserve's 2007 study. Socio-economic factors such as low employment rates and other symptoms of structural racism continue to widen the rift between the haves and the have-nots, although all are judged based on the same scoring system (Bonilla-Silva 1997). Privilege is a lynchpin that has been overlooked by the Federal Reserve's report findings. Indebtedness demonstrates a lack of credibility, which is often socially viewed as immoral and dishonest financial behavior (Hayes 2000:37) and amounts to an ideological tool that holds in place the idea that one must pay what they owe (Strike Debt 2012). Aside from a signature on a promissory note, the economic system is held in place by the ideological inculcation of citizens that they are bad members of society if they do not pay back what they owe.

The biased reality of financial privilege projects a worth value on individuals depending on how readily one is able to pay their bills. In the words of Princeton Behavioral Scientist Eldar Shafir, those who are "traveling with more slack" (2013:82) are more equipped to cushion themselves against costly life events. The negative way mainstream society regards those in serious debt lends itself to an ideology that legitimizes the American economic system (Peñaloza and Barnhart 2011:743-762) which, in my estimation, is both unreasonable and unsustainable. To regard those in debt as irresponsible people who have gotten themselves into a financial bind through their negligence elides the problems at the root of the financial system. It is the individual who carries the blame despite the fact that they are a merely a symptom of a larger ailment of which they had no part in creating. When the Federal Reserve states that there is no bias in the way credit is rendered, it is doing so to protect the financial status quo and continue a rhetoric that if one finds oneself in a difficult financial situation then it is their own fault. In addition to blaming people for the effects of classism, it also fortifies beliefs that people of color are poorer political actors in our society. Evidence of this is everywhere around us. This moral criminalization of the indebted is pervasive in American society and many people in debt have absorbed the sentiment that there is something wrong with them because they cannot pay their bills (Hayes 2000:29-46).

The conclusion I arrive at after a year of fieldwork amidst nonprofit interventional groups is that no single organization is the panacea to end the problems of debt and inequality. The structure of debt, capitalism, and institutional racism is too deeply rooted for a quick fix solution that does not eradicate the profound grip of structural racism. The Federal Reserve's assertions only perpetuate the prolific reach of unfounded, one sided beliefs that race is now an irrelevant factor. While the organizations I encountered chip away at the constraints of our current debt crisis, what was clear was that there is little evidence to support the Federal Reserve's claims that credit score is unbiased. My findings point to the realization that this kind of outlook is what does the most harm socially. While it completely ignores the social realities of institutionalized classism, racism, and the perpetuation of intergenerational poverty, it results in real anguish through the psychological suffering that comes with these claims being actualized in practice. It bolsters, and even widens, inequality, and exemplifies how important qualitative data is in helping achieve a more accurate interpretation of the social causes and effects of indebtedness. Credit scores do not exist in a social-historical vacuum. They are deeply tied to issues of class and race, and is another example of the way discrimination permeates every aspect of a person's life.

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