Introduction

How does debt act as a tool of labor discipline? As a catalyst of capitalist accumulation? As a method of labor degradation? I want to approach these questions by imagining a series of three lives, working lives, working lives in debt. Though nominally fictional, this inter-generational story is rooted in actual places, and in actual historical moments—spaces and times of significant import to the twentieth-century history of debt and credit in particular, and capitalism in general. Our first fictional life—let's give it a name: Davis Johnson—begins in the Caribbean, in the Bahamas, around the turn of the century.

Pineapple Peonage

The grandson of a slave, Davis is working as a pineapple cultivator. The year is 1915, the time of the First World War, and Davis is twenty. Though far-removed from Europe's inter-imperial killing fields, Davis is subject to the economic violence of empire, the stark inequities of agrarian production in the colonies. Slavery was abolished by the British empire in 1834, but the organization of labor in post-emancipation, early-twentieth-century Bahamas retains many features of the slave economy. One way through which landowners assert their power over
workers and tenant-holders is the extension of credit. Like many of his fellow small-producers, Davis relies on credit to tide him over during the long interim between the planting of the pineapple slips and the harvesting of the fruit eighteen months hence. His absentee landlord, a merchant in Nassau, sustains Davis throughout the growing period with goods, and occasionally cash, advanced as credit and subsequently subtracted from Davis's share of the harvest revenue. Davis likewise depends on his landlord-creditor for the pineapple slips and fertilizer that comprise the input-cost of each planting. And after the harvest, the merchant acts as the sole marketer of the crop, taking a cut for himself from Davis's proceeds. For Davis, the outcome is perpetual indebtedness. For the Nassau merchant, the outcome is a stable, dependent labor force, steady supply of produce, and maximized surplus. This system of debt and credit, in other words, is designed and deployed by the merchant-landlord elite as a form of repression and control, one that radically circumscribes the social and economic freedom of the laboring class to which Davis belongs. Davis and his fellow tenant-farmers are living, as one contemporary observer put it, in a “modified form of slavery.”

“I Owe My Soul . . .”

Davis stops farming in 1924, as the export market in pineapples begins to wane. With the proceeds from his final crop, some of which he clandestinely sells to an exporter himself—bypassing his landlord middleman—Davis books passage to the United States, where there is promise of wage-employment, and both spatial and social mobility. Surviving for a couple of years as an itinerant laborer in Florida, working mostly in that state's timber industry, in 1928 Davis joins the Great Migration north, heading toward the coalfields of Appalachia and eventually landing in a company town called Holden, in Logan County, West Virginia. In
Holden, Davis lives in a house rented from the company and purchases his provisions at the company store. The company store is the locus of social interaction in Holden, the place where miners and their families congregate, exchange gossip, play and listen to music about life in the coal camp: Songs of mourning, songs of longing, songs of celebration, and songs of hardship. Perhaps the most famous coal song, Merle Travis's “Sixteen Tons,” intones the plaintive line “I owe my soul to the company store,” an enduring phrase, and one that speaks to the fact that the company store is not just a center of conviviality, but also a crucial site of company authority, the place where wages are transformed into debt obligations. Payed only monthly, Davis is often forced to take an advance on his future wage—which comes in the form of company scrip that can either be redeemed at the company store—where prices are inflated—or at an independent merchant who significantly discounts the scrip. A study conducted by the New Deal National Recovery Agency, during the early years of Davis's mining career, found some coal miners that hadn't received any cash payment in fifteen years. Though Davis's experience in Holden is not quite so extreme, he does fall once again into a cycle of seemingly interminable indebtedness.

The debt that befalls Davis ensures, for his coal company employer—as it did for his landlord in the Bahamas—a rooted, dependent labor force, minimized labor costs, and captive retail market.

**Collective Coal**

Not long after settling in Holden Davis meets and marries a woman from neighboring Switzer, a clerk at the local post office. Being a two-income household helps, but the birth of a son—Matthew, we'll call him—aggravates the family's financial pressures. At the time of Matthew's birth conditions in the coal industry are generally terrible – falling prices translate into lower wages and heightened unemployment. But the economic circumstances of Davis's life are about
to improve, as the United Mineworkers Association (UMWA) is on the rise in the bituminous regions of West Virginia, Pennsylvania, Ohio and Kentucky. In the late 20s and early 30s, violent confrontations between unions and company-hired deputies are common throughout the coal industry, as workers express their opposition to wage cuts and other austerity policies. In the immediate term, these clashes only serve to further fracture union strength. The turnaround, when it comes, is rapid and profound. The enactment in June 1933 of the National Industrial Recovery Act calls for industry wide collective bargaining between labor unions and coal companies. Mere weeks after the Act's passage, previously non-union Logan Country, where Davis lives and works, is organized from one end to the other. By that fall, a new bargaining agreement is established across the eastern coal industry, which institutes a minimum wage and forty-hour week, and which prohibits the payment of wages in scrip. This first union contract and subsequent agreements help Davis emerge from the cycle of debt, and even set aside some savings. Retiring in 1960, Davis lives out the rest of his days in West Virginia, modestly but without fear of privation, before passing away in 1965. Davis is survived by his wife, and by his son, Matthew, to whom we now turn as our story embarks on a different trajectory.

Debtroit

Still a young man in 1965, Matthew moves north to Detroit, to a union job at a GM plant just southwest of the city. This is the height of United Auto Workers (UAW) power and American manufacturing dominance (the UAW had over 1 million members in 1970; today it has less than 400,000). Matthew earns a livable wage, starts a family, buys a home, and looks forward, a few decades down the line, to a comfortable pension. But in the early 1970s, the moment of postwar prosperity and the labor-capital compromise start to unravel. The oil embargo of 1973 causes a
dramatic rise in gas prices, and US auto companies cede market share to foreign manufacturers producing more fuel-efficient vehicles. No longer dominant in the realm of production, U.S. capital, enabled by the loosening of credit laws and deregulation of securities markets, shifts its focus and resources toward financial speculation. Corporations like GM and Ford close factories at the same time they expand their financial services divisions. Real wages begin to decline across the economy, industrial jobs begin to disappear or move overseas, and capital mobilizes for an all-out assault on organized labor. The election in 1980 of Ronald Reagan—and his epochal busting, the following year, of the Air Traffic Controllers union—further accelerates the anti-labor revolution. Every new UAW contract brings with it new concessions, and in 1990, at the age of 60, Matthew is forced to take an early retirement. He finds a new job at a non-union plant, making half of what he did before. Commuting each day from Seven Mile south to Dearborn, cutting through the wary heart of a shrinking city, Matthew listens to music: early Motown records whose sunny disposition conceals real pain—a metaphor, it occurs to him, for America at the close of the Cold War; or Bruce Springsteen's Nebraska, an elegiac, love-worn response to Reagan's “morning in America”—a dawn that never arrived for Matthew—and a record with recurring references to “debts that no honest could pay.” Struggling to settle their accounts, Springsteen's characters turn to crime, or to the last-chance promise of the blackjack table. Matthew takes a more mundane route. To make ends meet, Matthew and his wife—herself a recently retired homecare worker—take out a second mortgage, and accumulate significant credit card debt. The family is soon underwater. Their house is foreclosed upon and they are forced to declare bankruptcy. Their mortgage, it turns out, is now owned by GM's financial services wing, GMAC. And Matthew's credit card is issued by GE Money Bank.
Subprime Service

Matthew's daughter—Sarah, let's call her—is just entering her working life at this time, having graduated from Wayne St. in 1992, with an accounting degree. Just in time for the heady days of Clintonian deregulation and speculative fever, Sarah heads south, to a job at Wachovia Bank, in the company town of Charlotte, North Carolina. Sarah starts out in an entry-level position in Wachovia's consumer finance department, helping to oversee the bank's investments in the payday loan industry.

Payday lending offices, latter-day cousins of the lending practices that left grandfather Davis in perpetual debt, advance cash against the borrower's next paycheck, at interest rates of up to 30 percent (or 500 percent annually). In the early 1990s, there were fewer than 200 payday lending offices nationwide; today there are greater than 20,000, and payday lending is a $40 billion a year industry. Initially the domain of a few eccentric entrepreneurs, beginning around the turn of the millennium Wall St. institutions aggressively moved to establish their own stake in the payday loan sector. Wachovia, Sarah's employer, was one of the first big-time banks to invest in the payday lending industry. Now nearly every major U.S. financial institution has some interest in payday lending. Poverty is big business. Despite recent attempts, primarily at the state level, to reintroduce interest rate caps on consumer loans, payday lending companies have survived and prospered during the latest financial crisis, as the percentage of Americans who live paycheck-to-paycheck—about half—continues to rise.

Sarah has not been so fortunate. She was one of the thousands of Wachovia employees laid-off when the corporation was purchased by Wells Fargo in 2008, with government assistance, in the wake of the subprime mortgage crisis. Wells Fargo is today the payday lending
industry's largest creditor, with a financial interest in five out of the six biggest payday loan companies. Once working in service of payday loan firms, Sarah is now a customer, struggling and failing to stretch her unemployment insurance—supplemented by part-time work at a neighborhood deli—from one month to the next, an impossible task made yet more difficult by her escalating student-loan debt.

Conclusion

Taken together, the lives of Davis, Matthew, and Sarah shed light upon the centrality of working-class debt to modern and contemporary capitalist accumulation. For the great part of Davis's working life, debt served to bind laborers to their employer, while facilitating a maximum rate of profit through the degradation of real wages and creation of captive retail markets. In the later stage of Matthew's life, and middle-age of Sarah's, the liberation of financial capital has brought into existence new forms of domination through credit, now premised not on the geographic immobility of working bodies but on the full-spectrum corporate control of the channels of production and consumption, and on the heightened repression of organized labor; the rise in interest rates and proliferation of predatory lending has coincided with the ongoing decline in both real wages and trade union power. The union card, as Thomas Geoghegan recently put it, has been displaced by the credit card.