



Debtfare states and the labour of finance



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Susanne Soederberg, *Debtfare States and the Poverty Industry: Money, Discipline and the Surplus Population*, London, Routledge, 2014, 284 pp., £26.99 (pbk), ISBN 978-0-415-82267-1

An imagined division between the productive and the financial economy is a recurring theme in both popular and scholarly debates about contemporary finance (e.g. Harvey, 2003; Foster, 2010; Lapavistas, 2013). Particularly in the decade or so since the United States subprime mortgage crisis, it has become fashionable to lay the blame for economic troubles at the doors of parasitic and predatory banks. Scholarship on both neoliberalism and financialisation requires a greater degree of precision in order to develop more accurate analyses of economic phenomena and more effective leftist strategies. Susanne Soederberg's 2014 book, *Debtfare States and the Poverty Industry*, reflects some of these limitations, while otherwise making an important contribution to our understanding of the role of debt in the contemporary economy.

Debtfare States marshals a wealth of empirical data to support Soederberg's argument that, since the early 1980s, the state has encouraged working class reliance on credit to meet basic subsistence needs. On this basis, the author argues that the contemporary state has become a 'debtfare' state, which supports and subsidises the growth of the 'poverty industry'. Soederberg provides a useful analysis of contemporary class relations and, in particular, the role of the state in creating the conditions for capital accumulation. The book also presents an important challenge to the rhetoric of financial inclusion and the democratising potential of finance, consistent with the author's broader intellectual project (see, for example, Soederberg, 2010). There is, however, an important piece of the puzzle missing. Soederberg gets caught in a distinction between productive or 'real' economies and financial ones (or between the realms of production and of exchange). The author is critical of this distinction, but in her effort to remedy the problem she ends up reproducing it. The consequence is a missed opportunity to explore the role of labour in contemporary processes of debt-led accumulation.

Debt is frequently identified as a coping mechanism for working people in the context of reduced public provisioning during the neoliberal era. Soederberg follows this line of reasoning, but delves into the detail of how working class reliance on debt is constructed

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through the simultaneous depletion of publicly funded support for workers, especially people in the Marxian sub-category of the 'surplus population', and through policies that support the firms which constitute the 'poverty industry'. Poverty industry profits rely on exorbitant fees and interest rates attached to instruments such as short-term payday loans, student loans, and credit cards, all of which Soederberg details in the book. Firms extend credit to people who have limited bargaining power, as members of the surplus population. 'Surplus population' is synonymous with the reserve army of labour. It denotes a fluid grouping of people who are on low incomes, either unemployed or underemployed, and who are crucial to on-going capital accumulation. The poverty industry is dependent on the state (for Soederberg, the 'debtfare state') to create the conditions for its profitability, including the construction of the surplus population itself.

According to Soederberg, the debtfare state supports credit-led accumulation through a combination of practices that the author describes as a process of neoliberalisation. These include corporate welfare, workfare, and debtfare. (Soederberg also includes monetarism here. This is controversial, particularly given the shift in central banking practice since the financial crisis of 2007-08, which raises fundamental questions about the relationship between monetarism, monetary policy, and neoliberalism. These issues do not undermine Soederberg's debtfare state thesis more generally. However, it should be noted that monetary policy has strayed from monetarism, that the relationship with neoliberalism is more complicated, and that inflation management is no longer the crux of monetary policy). The poverty industry grows through corporate welfare as usury laws and other regulatory limitations on lending are relaxed. Workfare restrictions on social security condition the surplus population by creating stronger imperatives for people to accept wages that are insufficient to meet their basic needs, thereby increasing demand for credit. In addition to this, the debtfare state relies on the rhetoric of financial inclusion and personal responsibility. Working people are characterised as 'consumers', empowered through the use of money. At the same time, debt default and poverty are portrayed as immoral and/or incompatible with market citizenship and respectability. Fear of market discipline comes with the tightening of bankruptcy laws. In sum, debtfare intersects with workfare to overcome the inadequacy of wages and disciplines the surplus population.

An important element of Soederberg's methodology is a focus on the veiled character of social power. Based on Marxian theory, Soederberg's (2014: 17) approach is "concerned with understanding how a particular type of social relation gives rise to the power of things over people". The book explores how the relations of domination and exploitation characteristic of capitalism are hidden, and ultimately aims to reveal this hidden content. The social power of money is one of the veils that Soederberg lifts in this and other works (see, for example, Soederberg, 2010), yielding various important insights, including a challenge to liberal associations of money with freedom, equality, and democracy. In this respect, Soederberg (2014: 24) raises concerns about the "artificial separation of the spheres of exchange and production" and the "dichotomous view of the 'real' economy (production) and financial markets (exchange)". Her claim is that such a separation creates the illusion of a class-neutral and democratic realm of exchange that might enable working people to overcome the inequality they experience in the realm of production.

The primary strategy used throughout the book is to shift focus from the sphere of exchange to the sphere of production. Soederberg draws attention to money's function as the universal equivalent in the realm of exchange, as a representation of abstract labour power that is mobilised in production. Here, however, her analysis reaches an impasse. In trying to draw labour and exploitation back in through a focus on the realm of production, Soederberg

falls back on a distinction between the financial and the real economy. This implies that class inequality can be understood at the level of production, but not at the level of exchange. This in turn prevents an analysis of inequality produced in, and through, the realm of exchange, and reproduces the separation of which Soederberg is critical.

Taking aim at the social power of money is an interesting move and is useful in overcoming liberal notions of equality and freedom associated with credit, not to mention challenging the supposed democratising potential of finance. Yet Soederberg's decision not to engage (or to engage minimally) with the financialisation literature misses an opportunity to more effectively understand the relationship between exchange and production, the mediating role of finance in that relation, and its transformative implications for the nature of capital accumulation.

Soederberg deliberately avoids the term 'financialisation' because of certain weaknesses in this area of scholarship. In particular, she criticises the financialisation literature for a focus on speculation, predation, and greed as primary factors behind recent economic crises. This is an important point, although Soederberg's own analysis risks drifting into this kind of moral critique through a focus on the predatory practices of payday lenders, credit card companies, and others whose business models rely on high fees and exorbitant interest rates. The author also argues that financialisation struggles to effectively explain contemporary political, economic, and social phenomena because its analysis remains in the realm of exchange. For Soederberg, consumer credit does not involve the extraction of value, except in a secondary form. That is, value is produced in the productive sphere. Any extraction of value or exploitation that takes place in the realm of exchange is treated as strictly secondary.

There is research in the financialisation literature that can help overcome this tension in Soederberg's analysis. Scholars who work on the 'financialisation of daily life' (Martin, 2002; Bryan et al., 2009; Allen and Pryke, 2013) posit an integration of finance with accumulation and exploitation, and seek to explore the ongoing imposition of a financial logic in many areas of social and economic life. In particular, this literature reconsiders value theory to provide a different way of understanding how capital-labour relations are structured. Specifically, it argues that value is produced in what has previously been considered as the exchange sphere.

Soederberg's analysis is based on a classical interpretation of the labour theory of value. Dick Bryan, Randy Martin, and Mike Rafferty (2009) take the analysis of finance through and beyond Marx's categories. They point out that rather than liberating workers, the extension (and securitisation) of consumer credit is more likely to intensify contradictions between capital and labour. A key example of this is the use of financial mechanisms to extract value from the provision of indispensable goods and services, like utilities and mortgage repayments, which at the same time further subsumes labour to capital accumulation circuits. According to this analysis, the household becomes a site of capital accumulation through financial instruments (Bryan et al., 2009). Like Soederberg, Bryan and his co-authors recognise that households are increasingly reliant on credit in order to meet basic needs. Finance (credit) facilitates the purchase of basic commodities for labour's reproduction. Some part of the wages paid to labour is extracted in interest payments. A surplus is being generated and appropriated in the sphere of what we would normally consider exchange or circulation. These authors extend their arguments about the accumulative role of labour-as-capital through an analysis of derivatives, which are both commodities in themselves and the means through which a range of household debts (such as mortgages, utility payments, and telephone bills) are securitised.

John Allen and Michael Pryke (2013) have recently detailed one example of the incursion of finance into daily life: the marketisation of water delivery in the United Kingdom. This process links to Soederberg's conception of the neoliberal state, and in particular to its role as a provider of corporate welfare and opportunities for profitable investment. Allen and Pryke (2013: 422) examine the use of financial engineering mechanisms to transform "a rather dull, safe asset" into packages that can be traded "in the risk-taking world of financial calculation". Derivatives are created and sold, enabling the production and circulation of value through finance. Households are (further) subordinated to the production of value in the workplace, in order to obtain an income with which to pay their bills (comprising both service payments and interest). But they also contribute to the production of value through their debts and the securitised vehicles in which those debts are packaged. Scholars who focus on the financialisation of daily life thus expose the fact that the realms of production and exchange are already inextricably linked, and draw attention to the new ways in which financial innovations create value. Soederberg wants to unite these realms but ends up re-inscribing and relying on their division, privileging the realm of production as the site through which we can understand exploitation. By contrast, Allen and Pryke's utility bill securitisation is just one example from the financialisation literature that demonstrates how finance is further subsuming labour to capital, by transforming the (consumption activity of the) household into an asset.

In conclusion, *Debtfare States* provides an important, detailed analysis of debt in the contemporary economy and challenges the idea of liberation through access to credit. There is, however, an opportunity to use the wealth of empirical data that Soederberg has gathered, in conjunction with an expanded view of the role of finance in accumulation, to take the analysis further, and to advance debates about the relationship between finance and other parts of the economy. Revising our understanding of how and where value is produced will be crucial to understanding how capital is accumulated today. This has significant political and strategic consequences. A political strategy based on Soederberg's analysis might, for example, propose a step backwards to the fictional golden era of the welfare state. By contrast, an analysis that understands the vital role of labour in a global financial system built on household debt points to a more future-oriented politics.

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