

Breaking the Chains of Debt Peonage

Chris Hedges' Columns

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183



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By **Chris Hedges**

*Chris Hedges gave this talk Saturday night in Brooklyn at the **People's Recovery Summit**.*

The corporate state has made it clear there will be no more Occupy encampments. The corporate state is seeking through the persistent harassment of activists and the passage of draconian laws such as Section 1021(b)(2) of the National Defense Authorization Act—and we will be in court next Wednesday to fight the Obama administration's appeal of the Southern District Court of New York's ruling declaring Section 1021 unconstitutional—to shut down all legitimate dissent. The corporate state is counting, most importantly, on its system of debt peonage to keep citizens—especially the 30 million people who make up the working poor—from joining our revolt.

*Workers who are unable to meet their debts, who are victimized by constantly rising interest rates that can climb to as high as 30 percent on credit cards, are far more likely to remain submissive and compliant. **Debt peonage** is and always has been a form of political control. Native Americans, forced by the U.S. government onto tribal agencies, were required to buy their goods, usually on credit, at agency stores. Coal miners in southern West Virginia and Kentucky were paid in scrip by the coal companies and kept in perpetual debt servitude by the company store. African-Americans in the cotton fields in the South were forced to borrow during the agricultural season from their white landlords for their seed and farm equipment, creating a life of perpetual debt. It soon becomes impossible to escape the mounting interest rates that necessitate new borrowing.*

Debt peonage is a *familiar form of political control*. And today it is used by banks and corporate financiers to enslave not only individuals but also cities, municipalities, states and the federal government. As the economist **Michael Hudson** points out, the steady rise in interest rates, coupled with declining public revenues, has become a way to extract the last bits of capital from citizens as well as government. *Once individuals, or states or federal agencies, cannot pay their bills—and for many Americans this often means medical bills—assets are sold to corporations or seized. Public land, property and infrastructure, along with pension plans, are privatized. Individuals are pushed out of their homes and into financial and personal distress.*

Debt peonage is a fundamental tool for control. This debt peonage must be broken if we are going to build a mass movement to paralyze systems of corporate power. And the most effective weapon we have to liberate ourselves as well as the 30 million Americans who make up the working poor is a sustained movement to raise the minimum wage nationally to at least \$11 an hour. Most of these 30 million low-wage workers are women and people of color. They and their families struggle at a subsistence level and play one lender off another to survive. By raising their wages we raise not only the quality of their lives but we increase their capacity for personal and political power. We break one of the most important shackles used by the corporate state to prevent organized resistance.

Ralph Nader, whom I spoke with on Thursday, has been pushing activists to mobilize around raising the minimum wage. Nader, who knows more about corporate power and has been fighting it longer than any other American, has singled out, I believe, the key to building a broad-based national movement. There is among these underpaid 30 million workers—and some of them are with us tonight—*a mounting despair at being unable to meet even the basic requirements to maintain a family*. Nader points out that Walmart's 1 million workers, like most of the 30 million low-wage workers, are making less per hour, adjusted for inflation, than workers made in 1968, although these Walmart workers do the work required of two Walmart workers 40 years ago.

If the federal minimum wage from 1968 were adjusted for inflation it would be \$10.50. Instead, although costs and prices have risen sharply, the federal minimum wage remains stuck at \$7.25 an hour. It is the lowest of the major industrial countries. Meanwhile, **Mike Duke**, the CEO of Walmart, makes \$11,000 an hour. And he is not alone. These corporate chiefs make this much money because they have been able to keep in place a system by which *workers are effectively disempowered, forced to work for substandard wages and denied the possibility through unions or the formal electoral systems of power to defend workers' rights*. This is why corporations lavish these CEOs with obscene salaries. These CEOs are the masters of plantations. And the moment workers rise up and demand justice is the moment the staggering inequality of wealth begins to be reversed.

Being a member of the working poor, as **Barbara Ehrenreich** chronicles in her important book "**Nickel and Dimed**," is "a state of emergency." It is "acute distress." It is a daily and weekly lurching from crisis to crisis. The stress, the suffering, the humiliation and the job insecurity means that workers are reduced to doing little more than eating, sleeping—never enough—and working. And, most importantly, they are kept in a constant state of fear. Ehrenreich writes:

When someone works for less pay than she can live on—when, for example, she goes hungry so that you can eat more cheaply and conveniently—then she has made a great sacrifice for you, she has made you a gift of some part of her abilities, her health, and her life. The "working poor," as they are approvingly termed, are in fact the major philanthropists of our society. They neglect their own children so that the children of others will be cared for; they live in substandard housing so that other homes will be shiny and perfect; they endure privation so that inflation will be low and stock prices high. To be a member of the working poor is to be an anonymous donor, a nameless benefactor, to everyone else.

(Page 2)

It is time to halt the sacrifice of the working poor. It is time to empower the 30 million low-wage workers—two-thirds of which are employed by large corporations such as Walmart and McDonald's—to fight back.

Joe Sacco and I spent the last two years in the poorest pockets of the United States, our nation's sacrifice zones, for our book "**Days of Destruction, Days of Revolt**." We saw in Pine Ridge, S.D., Camden, N.J.—the poorest and the most dangerous city in the nation—the coalfields of southern West Virginia and the produce fields of Immokalee, Fla., how this brutal system of corporate exploitation works. In these sacrifice zones no one has legal protection. All institutions, from the press to the political class to the judiciary, are wholly owned subsidiaries of the corporate state. And what has been done to those in these sacrifice zones, those places corporations devastated first, is now being done to all of us.

There are no impediments within the electoral process or the formal structures of power to prevent predatory capitalism. We are all being forced to kneel before the dictates of the marketplace. The human cost, the attendant problems of drug and alcohol abuse, the neglect of children, the early deaths—in Pine Ridge the average life expectancy of a male is 48, the lowest in the Western Hemisphere outside of Haiti—is justified by the need to make greater and greater profit. And these costs are now being felt across the nation. The phrase "the consent of the governed" has become a cruel joke. *We use a language to describe our systems of governance that no longer correspond to reality. The disconnect between illusion and reality makes us one of the most self-deluded populations on the planet.*

The Weimarization of the American working class, and increasingly the middle class, is by design. *It is part of a corporate reconfiguration of the national and global economy into a form of neofeudalism.* It is about creating a world of masters and serfs, of empowered oligarchic elites and broken disempowered masses. And it is not only our wealth that is taken from us. It is our liberty. The so-called self-regulating market, as the economist **Karl Polanyi** wrote in "***The Great Transformation***," always ends with *mafia capitalism* and a mafia political system. This system of self-regulation, Polanyi wrote, always leads to "the demolition of society."

And this is what is happening—the demolition of our society and the demolition of the ecosystem that sustains the human species. In theological terms these corporate forces, driven by the lust for *ceaseless expansion and exploitation*, are systems of death. They know no limits. They will not stop on their own. And unless we stop them we are as a nation and finally as a species doomed. Polanyi understood the destructive power of unregulated corporate capitalism unleashed upon human society and the ecosystem. He wrote: "*In disposing of a man's labor power the system would, incidentally, dispose of the physical, psychological, and moral entity 'man' attached to the tag.*"

Polanyi wrote of a society that surrendered to the dictates of the market. "Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. *Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society.* Undoubtedly, labor, land, and money markets are essential to a market economy. But no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organizations was protected against the ravages of this satanic mill.

The global and national economy because of this "satanic mill" continues to deteriorate, and yet, curiously, stock market levels are close to their highs in 2007 before the global financial meltdown. This is because these corporations have been able to suppress wages, slash social programs and bilk the government for staggering sums of money. The Federal Reserve purchases about \$85 billion worth of mortgage-backed securities and Treasury bills every month. This means that the Fed is printing endless streams of money to buy up government debt and toxic assets from the banks. The Federal Reserve now owns assets, much of them worthless, of \$3.01 trillion. *This is triple what it was in 2008.*

And while corporations such as Citibank and General Electric loot the Treasury they exact more pounds of flesh in the name of austerity. General Electric, as Nader points out, is a net job exporter. Over the past decade, as **Citizens for Tax Justice** has documented, GE's effective federal income tax rate on its \$81.2 billion in pretax U.S. profits has been at most 1.8 percent. Because of the way General Electric's accountants play with tax liabilities the company actually receives money from the Treasury. They have several billion dollars paid to them from the federal government into company bank accounts—and these are not tax refunds. The company, as Nader argues, *is a net drain on the Treasury and a net drain on jobs. It violates a host of environmental and criminal laws.* And yet Jeffery Immelt, the CEO of General Electric, was appointed to be the chairman of Obama's Jobs Council. Immelt's only major contribution to the jobs initiative was to get rid of 37,000 of his employees since 2001. Jim McNerney, president and CEO of Boeing, who also sat on the Jobs Council, has cut over 14,000 jobs since 2008, according to **Public Campaign**. The only jobs the CEOs on the **Jobs Council** were concerned with were the ones these CEOs eradicated. The Jobs Council, **which Obama disbanded** this week, is a microcosm of what is happening within the corridors of power. Corporations increasingly terminate jobs here to hire grossly underpaid workers in India or China while at the same time stealing as much as fast as they can on the way out the door.

As Michael Hudson has pointed out, *financialization* has created a new kind of class war. The old class warfare took place between workers and bosses. Workers organized to fight for fair wages, better work hours and safety conditions in the workplace as well as adequate pensions and medical benefits. But with a country of debtors and a government that must also borrow to continue operating, Hudson says, we have changed the way class warfare works. *Finance, he points out, controls state and federal policy as well as the lives of ordinary workers. It is able to dictate working conditions.* The financiers, who insist that cuts be made so governments can repay loans, impose draconian austerity and long-term unemployment to, **as Hudson told** a Greek newspaper, *"drive down wages to a degree that could not occur in the company-by-company clash between industrial employers and their workers."*

The former Federal Reserve Chairman Alan Greenspan, testifying before Congress, was quite open about the role of debt peonage in keeping workers passive. Greenspan pointed out that since 1980 labor productivity has increased by about 83 percent. Yet real wages have stagnated. Greenspan said this was because workers were too burdened with mortgage debts, college loans, auto payments and credit-card debt to risk losing a job. Household debt in the United States is around \$13 trillion. This is only \$2 trillion less than the country's total yearly economic output. Greenspan was right. Miss a payment on your credit card and your interest rates jumps to 30 percent. Fail to pay your mortgage and you lose your home.

Miss your health insurance payments, which have been spiraling upwards, and if you are seriously ill you go into bankruptcy, as 1 million Americans who get sick do every year. Trash your credit rating and your fragile financial edifice, built on managing debt, collapses. Since most Americans feel, on some level, as Hudson points out, that they are a step or two away from being homeless, they are deeply averse to challenging corporate power. It is not worth the risk. And the corporate state knows it. Absolute power, the philosopher Thomas Hobbes wrote, depends on fear *and* passivity.

The only way to break this fear and passivity is to organize workers to break the cycle of mounting debt. And the first step to achieving independence from debt—the primary form of political control by the corporate state—is to raise the minimum wage. There are other solutions—forgiving mortgage and student debt, instituting universal health care, establishing a nationwide jobs program to rebuild the country’s Third World infrastructure, and green energy—but none of this will happen until we are able to mount a sustained mass movement that discredits the corporate state. This mass movement will arise, as Nader says, when we mobilize around the minimum wage.

The lowest-grade worker at the General Electric plant that makes high-tech health care devices outside Paterson in Totowa [New Jersey]—*a pay grade known as the D 04—was just raised to \$14,555 a year. That is under \$8 an hour.* The plant’s highest-paid hourly employee, known as D 16, earns \$22,000. Immelt makes over \$11 million a year. This vast disparity in income, and this wage abuse, is played out in every corporation in the country. No one in Washington intends to challenge it.

Only 11.3 percent of workers in this country belong to unions. This is the lowest percentage in 80 years. And nearly all these unions, and especially the AFL-CIO, have been emasculated by corporate power.

Nader is right when he warns that we are not going to be assisted in this effort by established unions. Union leaders are bought off. They are comfortable. They are pulling down at least five times what rank-and-file workers make. Nader says we have to mount protests not only outside the doors of Walmarts and General Electric plants, not only outside congressional offices, but outside the doors of the AFL-CIO. *There is no established institution inside or outside government that will help us.* They are all broken or complicit. But there are the 30 million working poor who, if we organize to break the system of debt peonage that holds them hostage, may be willing to rise up. We are bound with many chains and shackles. We will have to break them one at a time. But once we rise up, once we are able to threaten the corporate systems that keep us supine through fear, we will unleash a torrent of energy and passion that will confirm the worst nightmares of our corporate overlords.